City Council of Peachtree City
Meeting Minutes
Tuesday, June 20, 2023
6:30 PM

Call to Order

The City Council of Peachtree City held a budget workshop on Tuesday, June 20, 2023. Mayor Kim Learnard called the workshop to order at 6:30 p.m. Others attending: Council Members Clinton Holland, Phil Prebor, and Mike King. Council Member Frank Destadio was absent.

Presentation

A. City Manager's Proposed FY2024 Budget

City Manager Robert Curnow said a complete digital copy of the fiscal year (FY) 2024 budget book was available on the City website, as were their presentations on the budget.

He recalled at the previous budget workshop he asked Council to consider if they could afford to own what they currently owned? The City was facing several challenges including a lean staff, the absence of a formalized project management program, and the need to develop a meaningful facilities development plan.

This was a city of almost 65 years that was beginning to show its age through a decline in infrastructure, which he had illustrated with several photographs at the previous workshop. He wanted to emphasize the importance of implementing a comprehensive maintenance program that would allow them to identify and prioritize maintenance needs, allocate resources efficiently, and extend the lifespan of their assets. By taking a proactive stance, he stated, they could prevent further decline and avoid more expensive repairs down the line.

Too, he noted that COVD took a toll on staffing, and no amount of training could overcome a shortage of manpower. The amount of projects the City had identified through the Special Purpose Local Option Sales Tax (SPLOST), Capital Improvement Program (CIP), and the facilities maintenance plan required capacity in many departments.

There were three constraints when considering a project, Curnow continued—time, scope, and cost. It might seem financially prudent to delay the cost of maintaining infrastructure and diminish staffing levels, but it would compound these issues over time. They risked facing greater expenses, more frequent breakdowns, and the potential loss of valuable assets. Reinvesting in these assets would enhance the City's service ability and safeguard the community, Curnow stated, adding he was providing for all these conditions in the five-year budget they would be presenting.

The City Charter called for the City Manager to propose a budget every year. Curnow recalled that at the Council and Staff retreat in March they defined a vision of Uncompromised Excellence and set forward some core values. Uncompromised Excellence would be the theme of the budget, he remarked.

The Budget Policy stated that the top program priority was to maintain existing service levels in all divisions and departments, which was accomplished through baseline service level funding. Baseline service level funding, Curnow continued, stated that because a new service would have a cost associated with it, so an ongoing revenue source must be identified for that. If there was no revenue source available, then they must determine where cuts could be made in the budget.

A previous Mayor and Council had developed a mission statement, and it was important that the budget be in line with that mission, he stated. A budget was a financial document, but it was also an operational document that should be geared towards achieving the vision and mission.

Financial Services Director Paul Salvatore presented an overview of the General Fund, comparing the proposed budget to the FY 2023 adopted budget. He pointed out that they had planned to use about $571,000 in cash reserves in the FY 23 budget. The proposed FY 24 budget showed around $51.3 million in revenues and $51.4 in expenditures, using about $100,000 in the fund balance to make up the difference. The differences between the two years in both revenues and appropriations were large, about 12.4% in revenues and 11.3% in expenditures, and Salvatore attributed that to inflation.

The fund balance for FY 2023 was 54.5% and for 2024 was 56.5%, which he said was artificially high because of the inordinate number of staff vacancies. Those vacancy rates were dropping now thanks to changes they had made in pay and compensation.

He presented a chart showing the amounts brought in through the major revenue classifications, noting that taxes accounted for the most money. Inflationary impact was driving the 12% increase in revenues, he again stated, singling out a significant jump in investment income, which totaled over $1.1 million.

They looked to ad valorem tax income to support Public Safety, Salvatore remarked. There would be no millage rate increase next year, but they did anticipate a tax digest value increase of around 11%. Estimated property tax collections next year were $21.6 million. The Local Option Sales Tax (LOST) was the second biggest revenue source and was estimated to go up about 5% over FY 23 to total about $11.5 million. Interest income was up due to rising interest rates and also the increased cash reserves due to the high vacancy rates. The amount of interest income that would be brought in was enough to support the library, he noted, or the finance department or the building maintenance department.

A history of the millage rates showed a steady decline from 2012’s 7.18 to this year’s 6.043. He pointed out 2017, when SPLOST came on as a significant revenue source, and they were able to drop the millage rate about half a mill.

Revenues from building permits were going down and expected to continue to drop. Growth on the west side was slowing down. They were expecting a drop of 17%, or $185,000, from the FY 23 budget. This would also drop on the expense side, since there was a contract offsetting that, and they would not be paying them as much for inspection services.

A pie chart depicted all the sources of revenue, showing that about 60% came from property taxes and LOST. Adding in other taxes and franchise taxes brought it up to 85%. Licenses and permits brought in revenue, as did charges for services.

Curnow took over to talk about expenses and factors that were driving up costs. He reminded them of their discussion of the Consumer Price Index (CPI) and its increase of 5.5% each year. Council had seen how the costs on contracts had increased, such as the 29% jump for paving and 55% for asphalt. There had been a 65% compounded increase in construction costs over the past five years, he added, referring to the fire station they had decided was not feasible at this time, and also said they were seeing increases in contracts they were working on, such as the facility behind the Police Department.

There had been a 30% jump in technology costs, mainly for licensing contracts and protections from cybercrime. Police vehicles and equipment in other departments, such as Parks and Rec, had increased in price. There were often long delays, sometimes as much as 24 months, in delivery of items that had been purchased, but it was important to lock in prices now, before the anticipated increases.

Assistant City Manager Justin Strickland explained they had focused on the needs of the City during the budget process and looked at how they could help by funding some new positions. COVID caused a reduction in force in 2020, and they had not returned to previous staffing levels. Also, they were playing catch-up on some facilities improvements. This budget proposed an additional 17 positions.

He showed a list of those positions, saying most were to get back to pre-COVID levels of staffing, but others were identified as operating needs or based on changes to the job market, such as their decision to remove two part-time firefighter positions and replace them with full-time positions. SPLOST projects would require the addition of some employees for street maintenance. Paving maintenance was one of the few maintenance items allowed under SPLOST, Strickland remarked.

These positions would total about $1.4 million, with $1.2 million included in the General Fund, and the remainder coming from SPLOST. They were asking for three Police Department positions, two Fire positions, five Public Works positions, two Engineering Services positions, which were the building maintenance techs, two Recreation positions, and one Executive Services position, which was a communications position.

One police officer position, with uniforms and all equipment, cost the City about $132,000, Strickland noted. A firefighter cost about $100,000, while a maintenance tech was about $75,000.

Salvatore went over the General Fund expenditures by departmental operating budgets. Public Safety took the majority of the money. He broke down the City tax bill by department, noting that the average value of a residence in Peachtree City was $446,000, which equaled a tax bill of about $1,100. A great majority went to Police and Fire, with Public Works and Buildings and Grounds being other high-spending departments. About 7% went to debt service.

He also provided a breakdown of expenses by category, showing that about two-thirds of the money spent went towards salaries and other personnel expenses. Government was a service industry, so this was not surprise, Salvatore stated. Only 7% went to supplies. This was why they said any real cuts always had to involve personnel.

He presented a summary of the budget with sources and uses of funds. He had gone over most of the sources of funding already, but pointed out that the hotel/motel tax was categorized as special revenue, which along with use of reserves brought them to $51,462,062, which was the same total as the uses of funds, Salvatore stated.

They always budgeted for a savings, he pointed out, even though they did not know where it would materialize. There would be vacancies, or they might find ways to save when things went out for bid. This budget took about $700,000 off the expenditure side for those savings, which was the equivalent of .2 mills of property tax.

The Storm Water Utility Fund was one of the enterprise funds, called that because they were self-sustaining, like a business. No significant operating changes were proposed, mainly because they were locked in by the fees they charged, which did not change except for the little growth they might have. It had been 10 years, and a cost of service study and a rate study were overdue, Salvatore remarked. The $2.5 million that came in every year did not go as far as it once did, thanks to inflation.

About $600,000 was earmarked for capital projects, such as pipe lining, and $47,000 for equipment, making the total budget about $2.6 million. He presented the detailed budget showing categories and expenses that would be in the resolution Council would adopt. They had recently refinanced the storm water bond, Salvatore recalled, realizing a debt service savings of about $30,000 a year for the remaining 10 years on the bond.

The other enterprise fund was the Amphitheater Fund, and Salvatore noted it had been doing well lately. Improvements had enhanced not only customer experience, but revenue as well. They had expanded the picnic area, improved the lawn seating area, and added a VIP seating area. Upgrades planned for next year included lighting trusses that would enable them to book high-end bands that required this type of equipment.

The Amphitheater had been self-sustaining, operating without supplement from the General Fund, for many years, Salvatore remarked. Profits were re-invested in the facility. There were eight sold-out shows last year, and five sold-out shows already this season.

Most of the money in the Amphitheater budget came from ticket sales, but Salvatore also praised the sponsors, who chipped in $271,000. The Amphitheater also got money from the hotel/motel tax, which could be used only for certain purposes, such as this, which attracted tourism. The total Amphitheater budget was approximately $1.7 million.

The Hotel/Motel Tax was a special revenue fund and how it could be spent is strictly regulated by State law. Peachtree City collected at the 8% level, with 1.5% of that designed for Tourism Product and Development (TPD). Part of that was used for the Amphitheater, and next year about $370,000 was estimated for TPD, with $75,000 going to the Amphitheater for advertising and other promotion to attract tourism. Another $295,000 could be used for other venues that attracted out-of-towners, such as the BMX Track, the Tennis Center, and the Peachtree City Athletic Complex (PAC).

The law said 3.5% had to go to the Convention and Visitors Bureau (CVB), and the remaining 3% went to the General Fund.

Strickland took on the topic of the CIP Fund. Some money came from the General Fund, but he said he would also mention some other sources of funding. The General Fund programs outlined in this budget were programs they had been running for years, Strickland reported, such as budgeting $350,000 every year for facilities improvements. They always budgeted to replace Public Works equipment in a cyclical nature as needed and to replace 10 Police patrol vehicles annually.

They budgeted for technology replacement and software every year, as well as setting aside a portion of the General Fund for paving. Most of that went to provide matching funds to the Local Maintenance and Improvement Grant. Other money went for cyclical replacement of other vehicles and equipment.

Under the CIP budget, Strickland showed which items were on the five-year lease purchase program. That included two asphalt rollers, trucks, and lawn mowers. Some of the items earmarked to come from the $350,000 in facilities maintenance included a pool pump replacement at Glenloch, concrete pool deck work at Kedron, along with some smaller projects. They intended to use American Rescue Plan Act (ARPA) money for lights at Meade Field.

Learnard asked what FM funds meant? It was Facilities Maintenance, Strickland replied.

Strickland showed how the cyclical items appeared in future years, but noted they needed a more dedicated system for facilities maintenance to keep up with when these items were coming up. He said they did a good job on the vehicle side, but they needed a more robust software that could keep up with the facilities maintenance needs.

Salvatore noted the most of these expenses were cyclical, but there were some big ticket items. He indicated $325,000 for an HVAC system replacement at the library, although a grant might be forthcoming to pay for that. Cost increases had made some of the maintenance items they had included over the years infeasible, he remarked. In 2021, they had the Kedron Fieldhouse roof in the CIP for $150,000. Last year, they had it for $350,000. Now, they were getting estimates closer to $900,000.

Some things they had programmed in and listed a source of funds, Strickland stated, but others were not funded, such as the Kedron pool bubble in 2028. He said it might be needed before 2028, but Council was going to have to have some discussions.

There were several pools of money available for accomplishing some of these capital items, Strickland observed. The 2023 SPLOST passed in March and collections would start in July. There were still some outstanding SPLOST 2017 projects left to accomplish, such as the Lake Peachtree bridge. Construction should start soon, but it was a complicated project that would take awhile. There were some new paths still to be constructed, and the Huddleston Road project was on the list, but it was tied to other entities, and had been delayed.

They were mandated to complete all SPLOST projects approved by voters unless they were infeasible, in which case they would have to go back to voters. SPLOST could not be used for maintenance or repair items except for paving paths and roads.

The priority projects for 2024 with the new SPLOST included ordering ambulances and fire engines, ordering the Police SRT vehicle, replacement K-9s, Public Works equipment. The Drake Field restrooms were the major project they wanted to get started on and completed before next year's event season. Road and path paving projects would continue as they did every year.

One of the 2023 SPLOST projects was playground updates. The Recreation Master Plan had been bid out, and if it came back with recommendations on playground updates, there was a source of funding.

Next, Strickland went through projects they could fund with ARPA money, but cautioned there were time limits on encumbering and spending those funds. He noted that at the last Council meeting, Council approved ARPA funds to be reallocated from the Station 86 project because of soaring costs and also because there were projects they felt like they could get moving on now.

A list of those projects showed Tennis Center renovations, which had previously been under CIP. LED lighting for athletic fields was included at $1.8 million. The roofs at City Hall and Kedron were included, along with an elevator for City Hall. They main switchgear at City Hall would need replacing in the next few years, as would the IT HVAC system. Renovations to City Hall office space was also on the list.

The Flat Creek boardwalk repair and tree removal project was on the ARPA list, even though Council had not decided how they wanted to proceed. Also listed was exterior sealant for City Hall and Stations 81 and 82, which also was pulled from CIP.

The total of these projects was $6.7 million, with $6.9 million in ARPA funds allocated for a surplus of $236,000, depending on how the bids came back. Strickland explained that the ARPA funds had to be encumbered by the end of calendar year 2024 and spent by the end of 2026. That is why they decided to use this money for projects that could be executed soon.

King asked if this money was from the second iteration of ARPA funds? Strickland said both. The rest of the $13 million was allocated for the Water and Sewerage Authority (WASA). They had already spent about $1 million on storm water and some on premium pay and vaccine incentives when they first got the funds.

Strickland showed a drone photo of the City Hall roof, pointed out areas where water was pooling. It was not leaking yet, but it was of an age where it needed to be replaced. Another drone photo showed the patches on the roof at Kedron and also the sheer size of the facility.

He went on to talk about impact fees, which were collected when new growth of any kind came into the city. There were also time limits on encumbering and spending these funds—six years from the time of collection. The current balances showed $4 million designated for paths, $551,000 for the Fire Department, and $379,000 for the Police Department. The Police portion would probably be used on the Police expansion, and some of the Fire money would be used to continue the design on Station 86.

Holland asked if this was money that had already been received? and Strickland said it was. Holland asked if there was a list of projects, and Strickland again stated it would be used for the Police Department expansion and design on Station 86. Also, the budgets for Station 85 and 82 were lower than what would be needed, so impact fees could supplement the SPLOST funds. But they had to stay with Public Safety, Curnow added. Also, Strickland commented, they had to be spent on new things. They could not be used to repair existing paths, only to build new ones.

Holland asked about the time constraints, and Strickland said it was six years from when the money was received. They were not up against a wall on any of these, except maybe Police, he stated, but they had a plan to spend it.

In 2022 they took out a facilities bond with an original balance of $3.5 million. It was originally intended for several Public Safety facility projects, Strickland stated, but inflation caused them to be pared down to just the Police headquarters expansion, and all of the money needed to go to that. The current balance was $3.3 million. The cost of the project was now around $3.2 million, and that did not include the $500,000 generator, Strickland reported. They would supplement that debt with impact fees and perhaps from the fund balance.

Salvatore said he liked to end by showing the five-year finance model, noting how the fund balance jumped over the 50% mark after the audit in 2022, with most of that increase due to unplanned-for vacancies. They had intended to spend those down to 47.1%, but they now believed it would go up even more this year, although that might change due to increased hiring and revenue collections in excess of what was anticipated. He showed how they thought the fund balance would decrease to just under 48% over five years. Again, he pointed out, those reserves were generating around $1.1 or $1.2 million in interest income each year.

Although he understood the desire to spend down the reserves, he said they had wanted to point out that they also had three big pots of money that the clock was ticking on. The good thing was that the reserve fund generated revenue while they waited to use it.

He pointed out the 6.043 millage rate, saying they tried to attain millage rate stabilization and anticipated no millage rate increases.

Curnow showed the photos he had presented previously of various City facilities that needed repair, noting they had a lot of projects ahead of them. There were time constraints on some money; they needed to solicit bids on some projects, and there were a lot of areas of critical infrastructure they needed to work on.

Their biggest constraint was a lack of capacity, not from not being able to use the money they had identified for these projects, but staff’s capacity to get the projects done. He said he was familiar with working in lean organizations, but in Peachtree City, lean meant to the bone. There were a couple of departments at critical mass with shortages that interfered with the ability to get work processed. Those delays meant that residents dealing with the City were running into challenges.

The updated salary and benefits compensation package, Curnow continued, was a great thing, and they started getting a lot of applicants. But those applications went to a Human Resources Department that was also at critical mass. He did not want to get a bunch of projects lined up and then not have enough capacity to drag them across the finish line.

Another drone photo illustrated something Curnow said had recently come to light: $550,000 was the estimate to mitigate drainage issues at Drake Field. Curnow said this was caused by silt deposited during the lake dredging a few years ago. This was not a budgeted project, and Council would have to decide if they wanted to fix this so the area could be used at all times.

Finally, Curnow explained operational sustainability, which involved staff and staff's capability of getting these projects done. Projects had to be spread over a period of years. They did not get into this situation with the maintenance issues overnight, and they could not get out overnight, either. He wanted to spread the project load and the facility load over the next five fiscal years. They had to identify the people, funding, and timeline to complete these projects.

There would be a public hearing on the proposed budget and the CIP on July 13, with several public hearings on the millage rate set for August, Curnow reported.

King observed that Peachtree City's property taxes were $1,100 a year for a $446,000 home, less than Tyrone's or Fayetteville's, even though Peachtree City provided more services. He said it was a bargain.

The jump in the budget from $46 million last year to $51 million for FY 24 was substantial, he continued, and there was a reserve fund of 56%, up about 3% from the previous year. Citizens were going to question those increases, and they needed to be able to justify that. He knew they had a lot of things to catch up on, and citizens needed to understand they could not just cut the millage rate and keep Peachtree City as it was. Taking a mill off would decrease taxes only about $150 a year, King remarked, saying he liked living in Peachtree City, and less than $100 a month property tax was not bad.

The Mayor agreed, and Prebor said $100 a month for the amenities they had was not a bad deal. He thanked Curnow for taking a look at all their facilities, stating that during Peachtree City's times of rapid growth, they got "builder grade" materials that had not held up well. That was a culture that needed to change, he said, relating that he rode his bike recently over to Pebble Pocket Park and noticed that the basketball hoops did not have nets. They needed to get out of that mindset that they did not have the time or the money.

Holland said he had taken a lot of time to go through the budget. He noted that departmental operating expenses jumped from $35 million two years ago to $47 million in the proposed budget. He wanted to investigate that further.

He also mentioned the reserve fund that was more than $3 million over the 50% mark. Did they have a place to spend that or were they just going to carry it forward?

Curnow observed that some people called the reserves a rainy day fund. A 50% reserve balance would cover City operations for about six months in the absence of any other funding. A healthy reserve was what gave them the opportunity to have a Triple-A bond rating and enabled lenders to look at them in a favorable light. The bond refinancing that Salvatore had mentioned saved them $30,000 a year and was possible thanks to that bond rating. Lenders checked to see that you were not dipping into the reserves drastically over a long period of time.

They were planning to systematically use that fund over the next five years to pay for some large ticket items, Curnow stated. It was the last bucket they were going to because they had some time-sensitive money—ARPA and impact fees—that they needed to spend.

Some money would be coming out of that fund balance the next fiscal year, and it would be declining over the next five years, Curnow remarked. However, Council had told him to maintain that 50% number.

Did they have anything to use that $3 million that was over and above the 50%? Holland inquired. Curnow replied that there were plenty of projects where they could use that money, but nothing specifically identified. It would be used strategically as those projects rolled out. Holland told him they would keep an eye on that.

Holland asked why the motor vehicle tax dropped $3 million from the previous fiscal year? Salvatore said it was being phased out by the title ad valorem tax. It was probably in relation to the value of the vehicles he was looking at. Only older vehicles were still paying the annual ad valorem tax and that was declining each year.

Salvatore said he wanted to address Holland's comments about the reserve. It was going to correct itself naturally down 48% at the end of the five-year period as the budget continued to grow and the reserve dollar amount remained flat. If they took $3 million out now just to get it to 50%, the fund would be closer to 45% by year five.

How would this budget, assuming a millage rate of 6.043, be able to address all the maintenance issues depicted in the photos Curnow presented at the previous workshop? Learnard asked.

They had programmed out some of the critical areas, Curnow told her. Pressure cleaning and sealing a building would have a lower priority than insulation coming out of a wall at a fire station. The ARPA funds and impact fees would be used to get a start on the projects that were the most immediate priority. They would have to get them on the calendar with a systematic approach for rolling them out. A lot of the big ticket items would be addressed, but things would not be corrected overnight.

Prebor said the photos he showed were the tip of the iceberg, and Curnow agreed. The Tennis Center was an example of how they could keep looking and finding more and more problems.

Holland said he wanted the communications staff to post before and after photos so citizens would see the progress. Curnow agreed.

Learnard said she was glad he had covered the drainage problems at Drake Field, which was a half million dollars they did not have budgeted. She also wanted to talk about renovations at Battery Way Park, reflecting that they chose to leave it off the SPLOST project list because some of the neighbors objected. They did not want it to jeopardize the $67 million list, but decided to take up the renovations and bathrooms at another time. She did not want that to get off the radar.

Also, she said she took her grandchildren to Newnan this past week to visit the pump track and splash pad. Both of Newnan's splash pads were free to use, as was Fayetteville's. In Peachtree City, though, it was the only SPLOST-built facility that had a fee. This discussed this last year, but some Council Members were concerned about over-use if it was free, but that had not happened.

Prebor noted that they did lower the rates and said it was something they could think about.

She asked Curnow to share what he had in mind when he mentioned citizen engagement groups. They were working on three opportunities. One would come up when they talked about the Recreation Master Plan. A Recreation Committee was already mentioned in the ordinance, and the Clerk's office had dusted off some language. Curnow said he wanted citizen ambassadors to be part of the process. The Master Plan would look at everything they had amenity-wise and give them some evaluation criteria. It would stack them up against other cities, like Learnard had just mentioned. He wanted the committee to help them make decisions on the types of amenities they should have.

He said they were also looking at a paths advisory group to look at safety and types of vehicles. He said that dynamic had changed a lot over a short period of time, and it was important to have a committee to identify the property use of the path system and how to make it amenable to all users.

A teen political forum was being planned to bring high school students into the fold and teach them about civics and government function, with an eye towards sparking an interest in a career in public service or in seeking elective office.

Holland asked about reapportionment of SPLOST money. Could SPLOST money be used in a natural disaster? Strickland said they would have to go back to the voters. Council could not make that decision.

Was there a tactical public infrastructure plan? Holland wondered. Curnow said they built off of the CIP and were working on a tactical plan based on the mission. They had to prioritize all these projects.

Holland also suggested that the Boy Scouts be used at Flat Creek to help with repairs and maintenance. Strickland said Boy Scouts did a lot of projects at City properties, sometimes along the path system and the greenbelts. The City had to make sure they were safe.

There was no further business, and the Mayor adjourned the workshop at 8 p.m.

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Martha Barksdale, Recording Secretary

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Kim Learnard, Mayor