City Council of Peachtree City
Workshop Minutes
Tuesday, March 2, 2021
6:30 p.m.

The City Council of Peachtree City met in workshop session on Tuesday, March 2, 2021. Mayor Vanessa Fleisch called the meeting to order at 6:30 p.m. Others attending: Terry Ernst, Mike King, Kevin Madden, and Phil Prebor.

City Manager Jon Rorie said this was the first of three workshops to be held prior to Council's adoption of the fiscal year (FY) 2022 budget. The topic would be Financial Forecasting—Revenues. On April 6, another workshop was scheduled on Expenses, while a May 11 workshop would cover Goals and Priorities.

He read from the Budget Policy: "*The City's top program priority is to maintain existing service levels in all divisions and departments. A baseline should be set and serve as an agreed upon point of departure for subsequent budget discussions; ie: a new facility or service. Any additional services above the baseline shall be fully funded at the time of the adoption of the annual budget and ongoing funding sources shall be clearly identified. Such ongoing funding sources must be either new or increased revenues or clearly identified expense reductions.*" As part of the budget process, they produced a five-year model each year to identify expenses and revenues with the goal of predicting, preparing, and planning.

The budget that began in October 2020 for FY 2021 had operating expenses of about $32 million and revenues of about $37 million, which showed them using about $1 million from the fund balance. That was not deficit spending. In the 2021 budget there were $2 million of cash projects, and $1 million would come out of the cash reserves.

This budget was finalized in June of 2020, after March when COVID hit, and they made some considerations due to that. The second highest revenue stream for the City was sales tax. They budgeted the sales tax for $7 million in anticipation of the effects of COVID, but it looked like sales taxes would hit about $8 million. When they adopted the budget, they looked at carrying cash reserves of about 38%, but now believed they would go into FY 2022 at more like 50%.

They were required by statute to adopt a balanced budget and could use the fund balance to achieve that. When thinking about revenues, they should consider the capacity to provide services. The expense side was nothing more than the measurement of that service output. Generally, the more expenses you had, the more services you provided.

Where did the money come from? The FY 2021 budget called for $31 million in tax revenue, $1.5 million from licenses and permits, $200,000 from investment income, and $862,000 from fines and forfeitures. At the end of the day, Rorie stated, they adopted a budget that had $37 million in estimated revenues and a surplus carryover of $1 million to produce a budget of $38,561,399 as the output of their service capacity. Property taxes brought in $15 million, or about 41%, of the revenues, which was enough to pay only for Public Safety. Local Option Sales Tax (LOST) brought in around $7 million, or 9% of the revenues.

Ad valorem, or property taxes, provided the City's highest revenue stream, Rorie went on. That was collected over 24 square miles, or more than15,000 acres, of which 3,700 were parks or greenbelts; more than 700 acres were lakes. The population was estimated at about 36,000. About 61% of the tax digest was residential property of about 14,000 houses. About 37% was non-residential property, such as General Commercial, Office-Industrial, General Industrial and so on, and 6.2% was tax exempt property.

Rorie commented that it was worth looking at service capacity and millage rate. Everyone wanted to focus on millage rate, but it did not tell the whole story, which was in the services provided. He showed a chart comparing the taxes on a home appraised at $400,000 in Fayette County's municipalities and in the unincorporated county. For tax purposes, the homes were assessed at 40%, or $160,000. In Peachtree City, the municipal taxes on this house would be $997 based on the millage rate of 6.232. For that $997 you got City fire protection and emergency medical services (EMS), 100 miles of linear park (multi-use paths), 400 park acres, a $1 million library. You would also pay Fayette County tax of $703 based on a millage rate of 4.392 mills. You did not pay Fayette County for fire or EMS protection. You paid Board of Education taxes at 20.521 mills. All those taxes added up to a little more than $5,000 a year for a Peachtree City property owner.

Now in Tyrone, the municipal taxes were $462, but Tyrone did not have its own fire department or EMS. They had to pay an additional rate for Fayette County Fire and EMS, which brought the tax bill up to around $5,000. On a millage rate basis, that was the equivalent of 6.415 vs. Peachtree City at 6.232. This showed that you were selling yourself short when you emphasized millage rate over service capacity. The millage rate in Brooks was just .627, which generated $100 in municipal taxes on that $400,000 home. However, their total taxes were $4,684. They did not have a fire department or EMS or 100 miles of linear parks.

The whole idea, he remarked, was to think about revenue streams and what you got for the money you paid. Did a lower millage rate equal tax digest growth or a service reduction or elimination? If the millage rate was 6.232, and you wanted to expand a program, you had to look at what that would cost and how it would be funded. If you wanted to grow the millage rate, you had to have growth in the tax digest or a reduction or elimination of services. The millage rate had to establish the capacity to do something, to offset expenses. People often promised to lower taxes, which could be done, but at a cost.

A major retail superstore here was valued at $9,320,000 and paid $23,000 in municipal taxes, with total taxes of $116,895, once the County and the Board of Education taxes were added. They contributed to the tax base, but also were competitors to local businesses. A major building supply retailer paid around $13,000 in City taxes with a total tax bill of $68,427. A local hardware store, appraised at $342,000, would have total taxes of $4,297. Ad valorem meant according to value and was a progressive tax—the higher the value, the more you paid.

An industry with about 400 employees in Peachtree City had property valued at about $12 million and paid about $30,000 in municipal property taxes and $154,000 total in ad valorem taxes. Another major industrial employer, valued at about $7.7 million, paid a total of $97,000. A new flex industrial building on Huddleston Road, valued at $8.7 million, would pay $109,000 total. This showed how land uses could add or take away from the tax digest.

Next, Rorie said he wanted to talk about trend lines, utilizing a table that showed a 14-year timeline of tax revenue and millage rate fluctuations. In 2006, the ad valorem tax revenue at a 5.33 millage rate was $8.224 million, but it dropped in 2008 to $6.7 million due to the recession. It held steady in 2009, then climbed in 2010 because the Council raised the millage rate by 1.25 mills. In 2011, ad valorem tax revenues jumped to $10.8 million and began to climb each year. The Mayor at the time convened a needs assessment group to look at City services and determine what they thought was adequate. That group recommended a half mill increase in 2013, but the Council did not agree. The appraised value of property increased, so they captured additional revenues without increasing the millage rate. Council approved a full rollback of .524 mills in 2017 when the Special Purpose Local Option Sales Tax (SPLOST) was rolled out. The millage rate had held steady at 6.232 for the past three years, Rorie stated, even though he repeatedly heard people claim Council had raised taxes the last three years. The millage rate had stayed the same, but the appraised property values had gone up, and that meant taxes increased.

As the Great Recession ended, the tax digest did not begin to grow until 2013. There was 12.5% growth in the tax digest in 2017. What caused growth in the tax digest? Rorie said he wanted to show the difference between new growth and reassessments of existing properties. Of the 12.5% increase in 2017, 3.8% was new growth; the remainder was reassessments. You had to balance the two. If you took the new revenues from reassessments and did not do a millage rate rollback, it had to be advertised as a tax increase.

Another chart showed a trend line of digest values. By 2015, the tax digest began its recovery so that a full rollback was possible in 2017. The digest showed an average annual increase of 4.6% from 2011 to 2021. Knowing this enabled them to forecast revenues and set expenses when preparing the budget. Growth in the digest could be caused by inflationary impacts, appraised values, increased sales, new growth and other factors. The total maintenance and operations (M&O) tax levy was increasing at an annual rate of about 4%, going from about $11.5 million in 2011 to $16.5 million in 2020. Of that, $268 million was from new growth. Rorie reminded Council that every dime of that $16 million was used for public safety.

LOST, SPLOST and Education SPLOST (ESPLOST) were regressive taxes, Rorie explained, meaning the rate was the same, not based on value like the ad valorem tax. The LOST made up an estimated 19% of the revenues for 2021 and would probably be closer to 21%. It was a one cent tax on applicable sales in the county, including online sales. At close to $8 million, LOST was the City's second largest revenue source. It was split between the County and municipalities, based on a formula. Peachtree City got less than one-third of every penny collected through LOST. By the formula it was 30.665 of one cent. The other two-thirds was spread out around the county. If the major superstore was in Fayetteville, one-third of every penny of LOST collected came to Peachtree City. The participants had to agree to this formula periodically through LOST negotiations, which were coming up next year, Rorie noted.

Frank Destadio, a member of the Planning Commission, asked from the audience if they used this money to complete projects on a list? Rorie told him that did not apply to LOST. The formula was typically based on population and tax digest. SPLOST was distributed based on population. Destadio asked how the other two-thirds was distributed, and Rorie said it was divided according to the formula among all the municipalities and also to Fayette County. The County got 48.5% of the penny and could spend it anywhere. LOST was susceptible to economic volatility. They based the 2021 budget on the assumption that LOST would take a steep nosedive due to the pandemic. It did not; they budgeted for $7 million, and it came in at $8 million.

In 2006, Rorie continued, the City got $7,021,261 in LOST, which was 33.45% of what was taken in throughout Fayette County. That percentage stayed the same until 2013. When the Great Recession began in 2008, they realized an almost 19% drop in LOST revenues over the next few years. Council increased the millage rate to try and balance the losses. After LOST negotiations in 2012, Peachtree City's percentage dropped to 31%, and it went on a sliding scale for several years. It took 10 years to build the LOST revenue back to pre-recession levels.

Rorie said he researched the average annual sales of a major retail superstore and found it was $70 million. These stores offered grocery, health and wellness, and general merchandise. Groceries were taxed at three cents on the dollar: one cent went to LOST, and another went to ESPLOST, while the third went to SPLOST. The State did not tax groceries. For instance, if he bought prepared chicken wings from the store's deli, they would be taxed at the full sales tax rate of 7%. If he bought raw chicken, it was taxed as grocery at 3%. Health and wellness was the highest growth market for this superstore, Rorie remarked. Items there were taxed at 3%.

All the sales in that store generated about $648,000 in LOST, divided according to the formula. Brooks got .45%, while Fayetteville got14.49%, and Peachtree City, 30.26%. Tyrone got 6.3%, and Fayette County, 48.5%. These stores were not in Tyrone, Brooks, or the unincorporated county, but they received LOST proceeds. Of the $648,000 generated by $70 million in sales, Peachtree City would get $196,000.

The City commissioned a Livable Centers Initiative (LCI) study, and Rorie said the most valuable part of the LCI was the 99-page market analysis. He had already presented one primer to the Planning Commission, and planned to do more, on each topic covered in the market analysis. All retailers generated sales tax, and the market analysis summarized Peachtree City's retail situation. The market analysis said the Atlanta metro retail market had improved dramatically since the recession, thanks to population and jobs growth, with vacancy rates near historic lows. Mixed use development had been a major driver of retail.

Likewise, Peachtree City had low retail vacancy rates, although Kmart's closing in 2018 pushed the rate up to nearly 5%, the report read. That space was still vacant. The rental rate fluctuated heavily in Peachtree City, the report continued, but currently was about $20-$21 per square foot, up 29% since bottoming out in 2010.

A chart showed the decline in vacancy rates through the years and how the rental rates were going up. If demand for space was high, but supply was low, rents would be higher. The chart showed the bump up to a 5% vacancy rate when Kmart closed. The question was, what did you do with that 86,000 square foot space? They were getting nothing out of it except ad valorem property taxes. They got suggestions—convert it to a flea market, a sock shop, a tile store. Rorie said the City could not convert it into anything--it was private property. The owners would decide what to do with it. But based on the market analysis that showed low vacancy rates, the last thing they wanted to do was saturate the supply with more retail. That would just drive down the square foot rental rate. The market analysis gave them information to think about finding the right mix. It was his opinion, Rorie commented, that they needed to be consistent in not over-saturating the retail market. Retail sales were economically volatile, and they had no idea how many retail stores would survive this pandemic.

Rorie said he would like to see a 0% vacancy rate in retail because of the LOST money it would bring in, but he knew that would not happen. Some of the spots were vacant because of their location—not enough foot traffic, for instance.

The market analysis said Peachtree City could absorb 168,000 square feet of retail. That included 33,000 square feet of food and beverage. The analysis said there could be 25,000 of grocery. The local area was well-served, but there was room for boutique brands such as Earth Fare or Trader Joe's. Why couldn't Trader Joe's locate in the old Stein Mart? Because Publix was the anchor store in that shopping center, and they would not bring in competition. The analysis said there could be 5,000 more square feet of beer, wine, and liquor stores. They were welcome to come, Rorie said, but again noted the City did not recruit retail. There was a need for a chef-driven restaurant, the analysis showed. If the demand was there, the market would provide, he concluded.

The average annual increase in LOST was 3.2%. It made up 19% of their revenues. Inflation caused growth in the sales tax, not an increase in the number of retailers. They looked at the consumer price index (CPI) when figuring personnel costs, which were 80% of the budget in some departments. The CPI had gone up about 18% over the past 10 years.

Title Ad Valorem Tax (TAVT) was often unpredictable, Finance Director Paul Salvatore noted, although it seemed to have steadied out at around $1 million annually. TAVT was phasing out the Motor Vehicle Property Tax. The TAVT was a tax of about 7% paid on a new vehicle; it was 3% for a new Georgia resident. The State got 35%; local governments, 65%. Of that 65%, 49% went to the school district, 23% to the County, and 28% to the municipality where the vehicle was registered.

Ad valorem and LOST taxes made up about 60% of the revenues. TAVT was another portion. Also, the Real Estate Transfer Tax brought in $1 per $1,000 of the sale price of property and amounted to $93,000 in FY 2020. The Intangible Recording Tax was $3 on every $1,000 of the loan amount, capped at $25,000. They collected $355,000 from this in 2020.

The Insurance Premium Tax netted about $2.75 million a year or 7% of total revenues. Salvatore said he wanted to point out that $2.75 million was equal to about one mill of property taxes. Without this, you would see either one mill more of taxes or one mill less of services. They collected 2.5% of the property and casualty insurance premiums paid and 1% of life, health, and accidental death or dismemberment (AD&D) premiums.

In response to a question from Fleisch, Salvatore said all three of these taxes, and the two previous, were created through State statute. The insurance companies remitted them to the State, which parceled it out to local governments.

The Business Occupational Tax netted $465,000 a year. This was based on the number of employees, with a $107 a year minimum and a $6,176 maximum for up to 325 employees. It was reduced by 20% for FY 2021 in response to COVID. There was a $1,000 minimum on the Financial Institutions Tax, not to exceed .25 of the Georgia gross receipts. Peachtree City got about $100,000 a year from that.

The Alcoholic Beverage Tax brought in approximately $850,000 a year. This tax was proportionate to the actual amounts sold. Spirits and wine were taxed at 22 cents per liter, while malt beverages and beer were taxed at $6 per 15.5 gallons. Mixed drinks carried a tax of 3% of the sale price and totaled around $120,000 per year.

In all, everything classified as "other taxes" showed an average annual increase of 5.8% since 2011, and totaled about $9 million in FY 2020. Rorie pointed out that, once again, price drove the increases.

Franchise taxes were imposed on utilities, such as electricity and natural gas, Salvatore stated, and they received $2.8 million annually, which was close to one mill and made up 7% of the General Fund revenue. These were consumption-based charges with the maximum percentage set by State statute. Cable was being replaced by fiber, and he noted there was no provision in the statute for fiber. However, cable was not declining as fast as he thought it would. It was difficult to project what these franchise taxes would be, Rorie commented, because they were based on consumption.

Rorie said he came to Peachtree City in 2011 and a year later they adjusted the hotel/motel tax to 8%. Of that 8%, 3% was unrestricted and went to the General Fund. Tourism and product development got 1.5%, and 3.5% went to a 501(c)(6), the Peachtree City Convention & Visitors Bureau (CVB), which was a component unit of the City. That worked well from 2012 until March 2020 when the pandemic hit. The FY 2020 budget in March showed a total of $1.385 million in projected hotel/motel tax revenues. They finished the budget year with collections of about 50% of that. The FY 2021 budget was based on 50% of the usual revenue. The General Fund's 3% was budgeted at $639,000 and was projected to finish at $351,000. The FY 2021 budget was based on that decline and set revenues at about $319,000. That contribution to the General Fund, used to pave roads, pay police officers and fire fighters, dropped by $300,000 seemingly at the snap of your fingers, Rorie remarked. The Tourism Product Development (TPD) fund, used for improvements and maintenance at the Amphitheater, among other things, was cut in half.

In the FY 2021 budget, the hotel/motel tax was listed at $852,000, while the original FY 2020 budget had it at $1.7 million. One of the hotels had been generating about $20,000 to $30,000 a month in hotel/motel taxes before COVID. One month in 2020, that hotel sent them a check for $90. Salvatore said it was up to about $2,500 now. What would recovery look like? Salvatore noted they were at 45% for the first four months of FY 2021, short of the 50% for which they had budgeted.

The market analysis showed they could they absorb additional hotel rooms, based on the growth in the Atlanta region, Rorie stated, but that was assuming enough people were staying in hotels. They had a couple of approvals on the books already. Now they needed to back up and hold the line because circumstances had changed. Who knew when, or if, things would get back to normal?

Still, Fleisch pointed out, it was not up to them; that was private property. But, even if someone wanted to build a hotel, they might not be able to get financing in this situation.

Rorie wanted to talk about other revenue sources, such as fines and forfeitures, licenses and permits. Liquor licenses were $5,000, and the City netted $360,000 a year from these. The fees were reduced by 20% for FY 2021. Building permits brought in $775,000 annually, but that was offset by expenses. The whole building department was outsourced except for office staff. The City only realized about 25% of the permit fee because inspections were outsourced. Rorie said outsourcing that was one of the best financial moves the City had made because the costs moved with the economy. Golf cart registrations/decals made about $300,000 a year. Residents paid $15 a year; non-residents, $150. If you looked at it as a matter of tax equity, he opined, the fee for non-residents should be about three times as much. About $65,000 a year came in from miscellaneous permits, such as land disturbance, soil erosion, zoning and land use, and signs.

Peachtree City had about 190 miles of road and received about $378,000 from the Georgia Department of Transportation (GDOT) in Local Maintenance Improvement Grants (LMIG) with a 30% match requirement. If a road required full-depth reclamation (FDR), that amount would not even pave a mile. Fayette County provided a $150,000 recreation grant which was reimbursement of money the City sent to them. The Fayette County Board of Education provided $100,000 a year to pay for school resource officers. There were also grants that the City applied for when applicable. The biggest one this year was the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant, which was about $1.8 million. It basically reimbursed them for Public Safety salaries over a specified period of time.

Madden noted that the $300,000 from golf cart fees hardly put a dent in the $2 million required for annual maintenance on the paths. He mentioned a new development going up in the County that would tie into Peachtree City's path network. Currently, non-residents paid $150 plus the $15, for a total of $165. He thought they should look into increasing this fee by at least $50 for non-residents. With 1,500 carts currently in use, that would bring in another $75,000. Rorie said he would make sure they discussed this at the May 11 workshop.

User fees accounted for roughly $2 million a year, or 5% of the General Fund. They consisted of tower leases, planning services, CVB labor costs, recreation programs, and ambulance transportation fees. Rorie asked Fire Chief Joe O'Conor to explain the ambulance transportation fees. He said they transported 1,930 people in 2020, approximately 85% of those to Piedmont Fayette Hospital. Around 57% of all the people they transported were covered by Medicare. Payments from Medicare were dictated by the Federal government. Peachtree City had set its basic life support (BLS) fee at $750 for injuries or illnesses that were not life-threatening. Advanced life support (ALS) I was when an electrocardiogram was required, and ALS II required three procedures in addition to the electrocardiogram. The City also had set $10 a mile as its transport rate. Medicare paid $395 for BLS, $460 for ALS I, and $542 for ALS II, even though costs for just the medications frequently exceeded that. In all, user fees brought in about $800,000 a year.

Fleisch asked about the number of ambulances, and O'Conor replied they had one in reserve and operated five every day. This was for a population of about 35,000, the Mayor remarked, noting that the County had six ambulances and one in reserve. That was seven ambulances for the balance of the 100,000-plus County population. The County covered about 80,000 people, O'Conor told her, adding that the same personnel from the ambulances were used for fire suppression. Everyone was cross-trained.

This illustrated a component of financial forecasting, Rorie pointed out. What did they expect those numbers to do? The population was aging, so they expected to see more transports over the next 10 years. It was important to have enough resources for every possibility, O'Conor noted, remarking there were times when they called on the County and times when the County called on his department.

Madden asked about the 16% of patients who did not go to Fayette Piedmont. Would they transfer them all the way to downtown Atlanta if necessary? O'Conor said it was not uncommon for them to take a child to one of the children's hospitals in Atlanta or a trauma patient to Atlanta Medical Center or Grady. Madden noted that took that ambulance out of the area for a couple of hours. Who paid for the helicopter when a patient was airlifted to a hospital? Madden asked. O'Conor said the helicopter carriers worked with families and insurance carriers to handle that.

From the audience, Destadio asked how many County patients they transported? O'Conor said it was a few. There was a six-hour wait at the Newnan hospital before patients could be transferred to beds a few months ago, and the County had to pick up some calls while Peachtree City's people were tied up with that. In response to another question from Destadio, O'Conor and Rorie explained that mutual aid was just that—mutual. There were no charges to the department that required assistance. The County billed the patient, and O'Conor said their rates were comparable to Peachtree City's, and he imagined their collection rates were about the same.

Those rates had decreased over the last three years, Rorie reported. Calls had declined over the past year, possibly because people weren't going out to work or school as much, but it made sense to budget low and come in high, rather than budget high and come in low. If revenues were over expectations, they could go in the cash reserves.

On May 1, 2012, Rorie recalled that he announced a per player fee of $15 for Peachtree City residents, $25 for Fayette County residents, and $50 for out of county residents in City recreation programs. Those fees would help cover facilities and maintenance costs. They had a five-year recreation master plan that was developed in 2006 or 2007, but the recession in 2008 derailed the roll out of this master plan. One of the components, however, was to push recreation towards a user fee based system as opposed to a General Fund subsidy based. The three fee tiers were based on tax equity. Recreation Director Quinn Bledsoe had determined revenues for FY 2020 for each program offered. Hockey would bring in $5,000 in revenue from player fees; BMX, $1,500; soccer, $86,000; girls softball, $12,000, and so on. There was a $1 or $2 fee to use the gym at Kedron. Swim teams paid $40 per month, which netted $53,000 a year. Pool fees totaled $27,000.

Fines and forfeitures brought in $800,000 a year, and 77% of those were paid through Municipal Court for traffic citations, misdemeanor violations, and city ordinance violations. Police Chief Janet Moon said their work volume actually increased during COVID. In 2019, they wrote 7,910 citations and 10,848 warnings. They finished 2020 writing 9,604 citations and 12,864 warnings. The idea that the Police were used as revenue generators was not true, she stated. They were there for public safety. They wrote more warnings than citations, Rorie pointed out. Miscellaneous court fees made up 20% of all fines and forfeitures. The current budget to operate the court was $400,000. Writing tickets actually generated an expense. Library fines made up 3% of all fines and forfeitures. In total, fines and forfeitures made up around 2% of General Fund revenues. Court fees had declined nearly 45% over the past three years. That showed why it was important to budget from the bottom up, Rorie remarked.

Cities and the County went in together on SPLOST, which was project-driven. In 2017 voters approved a six-year SPLOST with the distribution based on population, so Peachtree City got 32.24% of the revenues. It assumed a conservative 1.65% growth rate, even though they expected a higher rate. SPLOST was a regressive tax and also restrictive, based on projects. If a project was identified and assigned a cost, but then declared unfeasible, you had to take that assigned cost and ask voters how they wanted it used or use it to pay debt. It was better to underexpose yourself and then take in more money than projected. The average amount budgeted was about $7.5 million a year, but they had collected $8.4 million per year. The excess went to DOT projects. 85% of SPLOST projects were infrastructure projects.

Rorie went back to the retail superstore figures which showed that, because SPLOST was population driven, Peachtree City got a little more in SPLOST money than from LOST. That major retailer generated about $209,000 in SPLOST for the City. That same percentage came to Peachtree City from that retailer's store in Fayetteville. A portion of sales from Peachtree City went to Fayetteville. Over 10 years, they had seen an 18.9% increase in CPI, so the assumption was that you would have relatively the same sales tax increase.

SPLOST generated $8 million a year, earmarked for certain projects, and 85% of those dollars were restricted to infrastructure projects. They did a rating of the entire road network in 2017 or '18, Rorie related, and discovered they had 192.8 miles of centerline roads with a value of $206 million. The value per mile was roughly $1.7 million. The pavement condition index (PCI) then was 61, and the backlog, which meant the percentage of roads that needed FDR, was 9.7%. FDR was expensive. Currently, the rating had increased to 69, and the backlog had dropped to 8.4%. They had been attacking this issue from both ends of the spectrum. They were going ahead and paving roads with a higher rating in hopes of making them last longer, while doing FDR on some of the roads that required it. They were trying to raise the PCI and lower the backlog and to do that required strategic allocation of revenues, or SPLOST dollars.

They were paving at about $5 million per year and anticipated carrying that out until the end of the SPLOST in 2023. Once SPLOST expired, they would need $5 million from the General Fund to keep the PCI going up and the backlog going down. Currently, $1.8 million was allocated from the General Fund for this, so, come 2024, they would be $3.2 million short. What if they did $3 million instead? The PCI would remain steady, and they would get a small decrease in the backlog. The budget number needed to be somewhere between $5 million and $3 million. If there was not a new SPLOST in 2024, Rorie said he would need to increase the millage rate of 6.232 to at least 7.232, for the purpose of funding the additional $3.2 million to make up the $5 million or do at least a half mill increase just to maintain a steady state.

In 2011, the City was at 2.28% of its legal debt limit. In 2020, they were at 0%. They could take on debt in general obligation (GO) bonds equal to 10% of the tax digest, which would be $262 million. That did not mean they did not have debt, though. City services were typically both labor and capital intensive. They did not put four police officers in one car, but they did put two fire fighters on one ambulance. Those four police officers required four vehicles. Rorie showed a graph comparing the Police Department's operating budget to its capital budget over the years. They had a revolving stream of debt every year. The annual revolving loan was $2.336 million for cars, fire trucks, dump trucks, etc. It did not include any facilities bond debt. In 2011, they borrowed $6.4 million through a facilities and authorities bond. Some went to stormwater, some went towards re-financing, and $3 million went to "fixing stuff" that had been neglected during the recession. That was a 10-year bond debt. All that debt should be paid off by 2023, but the debt for lease/purchase would be stabilized. That showed how debt instruments could be used as a financial smoothing tool when it came to capital purchases. They tried to keep it just shy of $3 million. He pointed out that the difference in debt service from 2021 to 2022 was $400,000. In next year's budget they would need an additional $400,000 for capital improvements, but that needed amount would drop down the following year. They had to forecast that up and down operational debt, and Salvatore again emphasized that this was a way of smoothing the budget rather than seeing big fluctuations from year to year. Any expansion of a program required an ongoing revenue source or an expense cut, Rorie reiterated.

The Stormwater Utility fee was about $2.5 million. They borrowed bond money, so the rate customers paid covered that debt, and the rest went to operational expenses and to build the renewal and extensions (R&E) account so they did not have to borrow money in the future.

In 2011, Rorie said he had to revise the impact fee schedule. In 2010, they collected roughly $2,600 per residential unit. Of that, $100 went to the Police, $700 to Fire, $1,500 to Recreation, $166 to the Library, and $76 for administrative costs. They revised it so they collected a little more for the Police Department and less for the Fire Department by modifying the schedule to look at heavy equipment versus square footage. They moved money from Recreation, and allocated $3,408 to the path network. The balance to date was about $2 million. It was going for the bridge at MacDuff and path extensions based on the 2010 master plan. The impact fee statute said they could encumber those funds for a six-year window so they needed to spend some of that money. That spending would go towards increasing the square footage for the police station and two fire stations. They had talked about a fire station at MacDuff, but right now felt it was better to continue fire operations at Crabapple and perhaps expand with smaller medic only units.

At the end of the day, Rorie concluded, it was nothing more than deciding what you wanted to do and looking at the revenues required to do it. It was revenue versus expenses.

King thanked Rorie, and Fleisch said they did not want to mess any of their work up. Madden noted that it was essential to remember that they had fixed the roads and if maintenance was kept up, FDR shouldn't be necessary again.

There was no further business, and Fleisch adjourned the workshop at 8:40 p.m.

Martha Barksdale, Recording Secretary

Vanessa Fleisch, Mayor