City Council of Peachtree City
Meeting Minutes
Tuesday, June 18, 2024
6:30 PM

Call to Order

The Mayor and Council of Peachtree City met in workshop session on Tuesday, June 18, 2024. Mayor Kim Learnard called the workshop to order at 6:30 p.m. Council members attending: Laura Johnson, Suzanne Brown, Clinton Holland, and Frank Destadio.

General Discussion

A. FY2025 Budget Presentation

Interim City Manager Justin Strickland explained that his theme for the fiscal year 2025 (FY 2025) budgeting process had been "how do we take care of what we have?" in an aging city. He reviewed the City's vision statement and values, along with the strategic pillars, or goals, that Council had adopted. State law required a balanced budget, and deviations from baseline spending had to be funded through designated revenue or equivalent expense reductions. Everything had a cost in manpower, money, machines, or materials, he noted.

An overview of the FY 2025 budget showed revenue of $56.7 million, up from $55.6 million in FY 2024. FY 2025's appropriations would be $56.8 million, compared to FY 2024's $56.4 million. They expected to use about $850,000 in cash reserves in FY 2024, leaving the fund balance at 55.7%. FY 2025's budget called for using about $71,000 in cash reserves, leaving the reserve fund at 53%.

This year, he continued, revenues were 2% over projections. About 80% of revenues came from taxes - ad valorem taxes, local option sales taxes (LOST), insurance premium taxes, franchise fees, hotel/motel tax. He pointed out a 160% change in intergovernmental revenue and explained that was because of new school resource officers mostly funded by the Board of Education (BOE). Strickland also noted the budget was more conservative this year about expectations for investment income.

A reduction of .06 mills in ad valorem tax was recommended. The tax digest was expected to increase by about 6%. About 3.5% of that was reassessments on existing homes, while 2.5% was new growth. Total property tax collections were estimated at $22.9 million, up $1.4 million from FY 2024. LOST collections were expected to increase by 3% to $12.3 million. Interest rates were still high, but Strickland's budget did not count on the highs to continue. The American Rescue Plan Act (ARPA) funds would have to be spent by the end of 2026, so the interest on that money should not be relied on, he stated. Interest income was estimated at $2.5 million for FY 2025. The millage rate was 7.178 in 2012; 5.983 was recommended for FY 2025.

A looming concern was House Bill 581, which would take effect before next year's budget process if approved by voters in November. It called for a floating homestead exemption tied to the rate of inflation. Staff and Council would have to evaluate the impact because they would be allowed to opt out, but that must be done by March 2025. The bill created a new sales tax similar to LOST if a city participated in the floating homestead exemption.

Destadio mentioned that the City had to negotiate with the County on percentages for LOST. Strickland said this second LOST would be a separate negotiation, and he would learn more about this bill and its impact during the Georgia Municipal Association (GMA) conference.

Ad valorem taxes and LOST brought in more than 60% of the City's revenue. Other taxes made up about 12%, and interest income was around 8%.

Assistant Director of Financial Services Kelly Bush noted that Peachtree City's portion of the County's LOST was 31.7%. She then discussed expenses, noting that the driving impact right now was inflation. The Consumer Price Index (CPI) was up about 3.4% over the past year, so they had budgeted a 3% cost of living adjustment (COLA).

Bush mentioned that construction costs were up 65%, and technology costs had risen about 27%. There were still labor shortages. Utility costs and vehicle costs had increased, and it was taking longer to get vehicles after they were ordered.

New positions in the budget were six School Resource Officers, three Paramedic/Firefighters, Community Risk Reduction Coordinator for the Fire Department, an Assistant Public Works Director, an Urban Forestry Program Manager, Maintenance Technician for building maintenance, Civil Engineer, Events Specialist, Human Resources Manager, and an Economic Development Manager. The total cost for these positions was almost $2.5 million, but the BOE would reimburse the City more than $1 million for the officers, which would cover the entire school year. The new firefighters would be programmed in for just half a year in FY 2025. These adjustments dropped the cost to a little over $1.2 million.

Strickland pointed out the BOE's contribution was 83% of the total expense for the officers and included vehicles and equipment. After this year, the reimbursement would drop to 50%, but the BOE had said they were open to renegotiating that, maybe increasing it by increments until the BOE covered the 83% again.

The municipal tax bill for a home valued at $508,000, the average in Peachtree City, would be $1,217.50 for FY 2025, Bush stated. Police and Fire expenditures came to about $26.6 million, while ad valorem tax totaled $23 million, she noted, so other revenues were needed. Police, Fire, Public Works, and Recreation made up

70% of annual expenses. To look at it another way, salaries and personnel costs made up 65% of expenditures.

Next, Strickland looked at enterprise funds. He did not recommend any major changes in the Storm Water Utility, mainly because they were in the midst of a cost of service and rate study. Storm Water was starting to have to dip into reserves for operations, and many of the aging pipes needed to be replaced, he remarked. More than $600,000 was earmarked for pipe lining and replacement and $47,000 was for vehicles. The total budget was $2.7 million, with personnel and contractual services making up most of the expenses. Refinancing a bond had helped cut costs. Destadio asked how much the bond was? Bush said the original was $3.5 million, then the refinancing was for $7.8 million.

The Amphitheater fund supported itself for both capital projects and operations, Strickland stated. The venue had been improved with redesigned seating and new lighting. The proposed budget was approximately $1.8 million.

Hotel/motel tax revenues were projected to increase from $2 million in FY 2024 to $2.1 million in FY 2025. Peachtree City taxed at the State maximum of 8%, with 3.5% going to the Convention and Visitors Bureau, 3% to the General Fund, and 1.5% to tourism and product development (TPD) to be used at facilities that promoted tourism, such as the Peachtree City Athletic Complex and the Tennis Center.

Interim Assistant City Manager Yasmin Julio reviewed the major Capital Improvement Program (CIP) projects in the FY 2025 budget. CIP accounted for $4.3 million of the budget, with projects including citywide facilities improvements, Public Works and Recreation equipment, patrol vehicle replacements, technology, street resurfacing not included in the special purpose local option sales tax (SPLOST), other vehicles, and a splashpad. Other items included painting The Gathering Place and the Police Department, gate and fence repair, and a shade structure at the Glenloch pool.

Other special purpose capital funds included SPLOST, impact fees, and ARPA. There were projects remaining from the 2017 SPLOST, plus those from the 2023 SPLOST. Projects that would be a priority in FY 2025 included Huddleston Road upgrades, pickleball courts, North Peachtree Parkway paths at North Hill and Walt Banks, paths at Paschall Road, a path from All Children's Playground to Drake Field, the Crosstown roundabout, and ongoing paving.

The ARPA money had to be encumbered by December 31 of this year and spent by December 31, 2025. Some of the money had been spent already on City Hall, Fire Station, and Tennis Center renovations and maintenance, as well as rebuilding the Flat Creek boardwalk. Other projects were either out to bid or soon to be bid.

Impact fees had to be used six years from the time the money was received. By law, they could only be spent on new items or expansions, including paths. Nearly $4 million would be for culture/recreation, which was mostly paths, while $673,000 was going for a new fire station and $400,000 for property for the new police expansion building.

Bush presented the five-year financial model. She showed how they were able to put $5 million into the fund balance this fiscal year, but $2 million was because of supply chain issues that delayed purchases. FY 2024 showed expenditures of $852,000 out of reserves, while the FY 2025 budget anticipated $70,000 use of reserves, leaving the fund at 53%. In FY 2026, $900,000 of the fund balance would pay for the new firefighter and school resource officer positions.

She also pointed out that a $7 million facilities bond was programmed in for FY 2027. The reserve fund would dip to 37% by FY 2029, but the use of fund balance was actually less, Bush continued, and they would start returning money to the fund balance after that. It was a stable model, she and Strickland agreed, but it could change. Strickland mentioned a federal grant they had applied for to help with the police annex and an emergency center.

He mentioned some of the things the City had to take care of, including citizens, visitors, paths, streets, buildings, pipe, bridges, signs, and recreation areas and talked about what they were doing to stay on the path of Uncompromised Excellence, such as keeping employee pay at the 85th percentile, encouraging smart economic development, investing in safety, maintaining service levels, encouraging citizen engagement, and tying the budget process to the five strategic pillars. Programs such as PTC 101 encouraged citizen involvement, and the internship program exposed young people to city government. The Recreation Master Plan was going to require thought, and ordinances and policies needed updating.

The FY 2025 budget included funding for a boundary growth study, Strickland remarked, and a 911 feasibility study. A study of the SR 54 corridor was also needed so they could plan smartly for future traffic management.

There would be a public hearing on the budget and the CIP at the July 11 Council meeting, and Council should adopt the budget and the millage rate at the August 1 meeting.

Destadio complimented Strickland and staff for their great work on this budget.

Brown stated that she wanted to roll back the millage rate because there were people suffering due to inflation. She suggested cuts to the budget. She also acknowledged that the biggest part of the tax bill was for the BOE, so there was not much the City could do, but she would like to see something.

Johnson, too, thanked staff and was glad there could be a partial rollback. Holland said he thought they had more work to do before coming to a final budget. Staff had done a good job, but he wanted to look into it further. Maybe there were things they could postpone.

Learnard said the City Manager's job was to bring Council his best budget, and that's what Strickland had done. Cuts had been made to allow for a slight millage rate rollback. Destadio said the rollback might not be as much as some people wanted, but it was something, and would allow them to maintain services.

Adjourn

There was no further business, and the Mayor adjourned the workshop at 7:52 p.m.

Martha Barksdale, Recording Secretary

Kim Learnard, Mayor