City Council of Peachtree City
Special Called Meeting Minutes
Tuesday, June 21, 2022
6:30 p.m.

The Mayor and Council of Peachtree City met for a special called meeting on Tuesday, June 21, 2022, for the purpose of presenting the City Manager's proposed fiscal year (FY) 2023 budget. Mayor Kim Learnard called the meeting to order at 6:30 p.m. Council members attending: Gretchen Caola, Frank Destadio, Mike King, and Phil Prebor.

Interim City Manager Bernie McMullen said he and Financial Services Director Paul Salvatore would be tag-teaming the presentation. Salvatore noted they always kept the City's mission statement in mind while creating the budget, which was a strategic and a policy document as well as a financial one. The mission statement outlined the City's priorities, which included protecting the well-being of residents in addition to performing in a fiscally responsible manner. The budget policy stated there was an agreed-upon baseline service level, and any deviations required they identify additional revenue sources or ways to reduce expenses. There was also a policy that called for at least 31% in cash reserves.

An overview of the General Fund compared the adopted FY 2022 budget to the proposed FY 2023 budget. There was an 11% jump in appropriations, Salvatore indicated, but he would show how that would be covered. Also, he said he wanted to state up front that there would be no millage rate increase. The use of reserves for 2023 was similar to what was adopted in 2022 and kept the cash reserve at 49%.

Looking at anticipated revenues, Salvatore pointed out that most of 11% increase would come from tax collections, but increases were also shown in licenses, charges for services and other categories, mostly due to an upswing in the economy, Salvatore remarked, but part of it was due to the fact that they were very conservative when predicting revenues in the 2022 budget. The increase in tax revenues was for all categories, not just property taxes; it included the Local Option Sales Tax (LOST), franchise tax, insurance premium tax, alcoholic beverage tax, and so on. Destadio asked if this chart showed money the City was going to make? and Salvatore said, yes, it showed cash revenue.

The proposed budget showed $39 million in tax revenue, and the two biggest sources were ad valorem property tax and LOST. They were not planning for a millage rate increase but anticipated a 14% increase in the tax digest. The estimated total property tax collections totaled $18.8 million. LOST was estimated to increase by 3%. There was a slight change in the LOST distributions, thanks to a renegotiated service delivery strategy with the county. This was driven by a State formula, and Fayetteville and Tyrone had grown greater proportionately than Peachtree City, so they gained a higher percentage, while Peachtree City lost about a half a percent.

Destadio asked if the tax digest was something the County developed? Salvatore said it was done by the County Tax Assessor, and tax bills were sent out by the County Tax Commissioner.

The total estimate for 2023 LOST was $10.25 million, Salvatore continued, and combined with the property taxes would bring in about $30 million.

A 10-year millage rate history showed that after the recession, in 2012, through the passage of a new Special Purpose Local Option Sales Tax in (SPLOST) in 2017, they had continually lowered the millage rate for a total reduction of 1.135 mills. However, that SPLOST would expire in 2023, and it generated about $10 million a year. If voters did not approve another SPLOST, he estimated a .8 mill increase in 2024, and that .8 mills would generate only a quarter of what the SPLOST did. There would have to be other adjustments, as well.

The hotel/motel tax was the revenue source hardest hit by COVID, Salvatore stated, but it was starting to come back to life, and they were estimating revenues of $1.25 million. The City collected 8% of that tax, with 3% going to the General Fund, 1.5% going to Tourism Product Development (TPD), and 3.5% to the Convention and Visitors Bureau (CVB). The General Fund money was unrestricted, while the CVB and TPD use was restricted. Caola asked if these were estimates for this year or 2023, and Salvatore said 2023.

A pie chart showed the sources of revenue, with ad valorem tax and LOST making up 64%. Classified under Other Taxes at 15% were things like insurance taxes and alcoholic beverage tax. Franchise taxes for utilities were at about 6%, then there were smaller divisions, such as charges for services and a half million from fund balance.

A table of expenses listed each department and how much their budgets made up the total, headed by the big three—Police, Fire, and Public Works. Add in Buildings and Grounds and Recreation and this would be two-thirds of the budget. The right side of the table showed how much the owner of a home valued at $446,000, which was the average price in Peachtree City, paid in taxes to each of these departments. For every dollar, 20 cents went to Police and 23 cents to Fire/EMS, for example.

The proposed budget included funding three additional police officer positions—two patrol officers and a detective, McMullen reported, noting the Police Department had not seen an increase in personnel since 2008, even though the population had grown by about 13%. They wanted to add a full-time communications specialist, based on input from a town hall meeting. They needed another full-time fire inspector. Three additional splash pad attendant positions were in the 2022 budget, but there was not a need to fill them. They needed to finish this year and see if those would be needed next year. A full-time code enforcement position was included. McMullen said they had four positions before COVID; now they had three and citations for violations were down about 37%. That might not sound like a bad thing, but it meant they were not keeping up, and a lot of the housing stock was aging and falling into disrepair. This code enforcement officer also would be able to help with cart enforcement.

Destadio asked if they had looked at staffing in the Planning and Zoning Department? They had dropped several positions over the years. McMullen said he was recommending all positions asked for by department heads.

Salvatore pointed out that they were contracting for a position in Planning and Zoning, and Planning, and Development Director Robin Cailloux added they had a contract with SafeBuilt for a full-time zoning technician, and that was working well. The department had two full-time City employees and one contract employee. Salvatore said that contract position was budgeted again.

The geographic information systems (GIS) consultant had recommended they phase out contract positions and hire in-house employees as a manager, analyst, and technician to maintain the systems. The City would also retain some of the consulting services at a cost of about $30,000. This could be as much as an additional $104,000 a year.

The CVB had requested to replace three part-time positions with one full-time staff assistant at an increased cost of $20,416. That was paid for by the CVB out of the hotel/motel tax, Salvatore remarked, but that person would still be a City employee.

A human resource specialist would be moved back to full-time from part-time at an additional cost of $40,533. This was a position cut back during COVID. The same situation applied to the library circulation specialist, which also was moved to part-time, but was in the budget as full-time again at an additional cost of about $13,600. This would also enable the library to extend its Saturday closing time from 3 p.m. to 6 p.m.

Next, Salvatore went over some of the challenges they faced in terms of expenses. First was the rise in costs due to 8.5% inflation. They discussed inflation during the mid-year review in December, and it had worsened since then. Supply chain issues were a factor.

Last year, after conducting a pay study, they implemented a 5.2% cost of living increase (COLA), and the 2023 budget recommended another 5% COLA for employees to begin January 1, which their research had showed was the most common COLA being proposed at this time.

The cost of contractual services, such as tree service and rentals, had gone up. It was the same for any type of supplies. The supply chain for vehicles and equipment had been severely impacted, and Salvatore said the old method of soliciting bids no longer applied. They had to take what they could get. There were delays on anything placed on order. Salvatore said he had seen reports that did not predict a slowdown in the economy until the second half of 2023. That would be due to rising interest rates.

When did they have to obligate the funds when an order was placed for a vehicle that would not be delivered for a year or more? Destadio queried. Legally, Salvatore replied, they had to have the funds before they could issue a purchase order. They would have to budget the money and issue a purchase order to encumber those budgeted funds. If they did not receive it by year's end, they carried it over to the next fiscal year.

Salvatore showed a one-page summary of expenditures and revenues, saying they called it the "Boy Scout budget" because that was what they gave the Scouts when they came in and asked for a copy of the City budget. They had discussed departmental budgets, he remarked, but he wanted to delve more into the general administration expenditures. The first item was funding for not-for-profit organizations, which McMullen said had not changed since 2004. It awarded maximum funding of $7,500 a year to any particular organization and a cumulative total of no more than $25,000 for all organizations that applied. Right now, they aided two organizations. They proposed that Council increase the $7,500 per organization to $10,000 and the aggregate total from $25,000 to $30,000. There were three applications pending now, and, he said, if they were all qualified, the City could award each $10,000.

Did anyone have questions? McMullen asked. If they did nothear any objections, this is what they would bring forward in the budget. Destadio wondered if the current policy was in writing? Could he get a copy? He was told he could.

Prebor wanted to know how much they gave Fayette Senior Services? Salvatore said $15,000, and Prebor said he would not agree to dropping it to $10,000. McMullen replied Council could always vote to do more than $10,000, like they had voted to go over the limit in the past. Was the other organization Promise Place? Caola asked, and was told it was. They got $10,000. Learnard said Fayette Senior Services bought a van every year with their money from Peachtree City. McMullen pointed out that what had been going on was not in compliance with the policy, and they were just trying to get it more in line.

Salvatore noted they could raise it to $45,000 with a maximum of $15,000 per group. Destadio said he wanted to see the policy and compare it to the proposal. He agreed it was old and probably needed to be updated.

Salvatore showed a pie chart with expenses by department. Police, Fire/EMS, Buildings and Grounds, and Recreation made up about two-thirds. Another pie chart broke it up by account category, showing that the majority of the money went to services, whether provided in-house or contracted out.

Destadio asked what fell under the non-departmental category? Salvatore said the not-for-profit organizations did, along with some contingency accounts for litigation, and other things.

Moving on to enterprise funds, Salvatore first wanted to discuss the Stormwater Fund. No significant operating changes were proposed, and they were running in "maintenance mode," he stated. They included $480,000 of the $2.5 million budget for pipe relining and other renewal and extension projects, supplemented by funds from the American Rescue Plan Act (ARPA) to help accelerate the lagging pipe replacement cycle.

The other enterprise fund was the Amphitheater Fund. He said things were performing well there financially and operationally. Most of the money came from ticket sales, but a substantial amount came from sponsors, and they were grateful. He estimated they would collect more than $200,000 in sponsorship fees this fiscal year. Some money to promote the venue came from the hotel/motel taxes.

Most of the expenses were program expenses for talent, sound, lighting and so on, and contractual services was the next biggest expense. That included not only the venue manager, but the booking agents, ticketing agents, security, and caterers. Ushers were the only personnel cost. The last audit showed a surplus of revenue over expenses amounting to a little over $74,000, Salvatore noted. That gave them some funds to re-invest in the facility, such as the new seating on the terrace and work in the lawn seating area.

McMullen stepped in to talk about the Capital Improvement Program (CIP), saying he would first give a broad overview, then get into details when they talked about the five-year plan. Citywide facilities improvements, which were mostly a lot of smaller projects, totaled $600,000, followed by park improvements, such as at the Field of Hope. There was more than $301,000 earmarked for Public

Works equipment, and $640,000 for 10 Police patrol vehicles. Replacement of a fire engine was on the list, as were technology upgrades. They would fund $1.5 million in street resurfacing above the $3.7 million from SPLOST. The second payment to the County for the paving of Stagecoach Road would be $375,000. Additional projects totaled $447,000.

The total CIP fund for 2023 would be $5,707,125, Salvatore said. He went over the CIP strategy, saying they were trying to increase reliance on pay as you go financing, using cash to fund building improvements, bridge maintenance, and supplement SPLOST money in street resurfacing. The 2014 facilities bond would be paid off in FY 2024, that would relieve them of a $341,000 annual payment. They recently took out a $3.5 million loan, with the majority going for expansion of the Police Headquarters and expansions at Fire Stations 81 and 82. This loan would also provide funding for an elevator at McIntosh Place.

Salvatore showed a table of CIP expenditures, pointing out that items highlighted in blue were on the five-year revolving lease program, which helped achieve budgetary smoothing. One loan came on and one loan came off every year. CIP was where the money came from for additional road paving and also the payment for Stagecoach Road. Salvatore pointed out $150,000 for exterior coating of City Hall. There was $350,000 for facilities improvements, and some of that had already been programmed. The Field of Hope replacement was the big item in Recreation, and there were looking to upgrade the playground at Braelinn.

They purchased 10 new Police vehicles every year and wanted to add three additional ones this year, assuming Council approved the three new Police positions. A reserve engine replacement was listed, but that was a purchase that probably would be included on the SPLOST project list. If SPLOST passed, the City would not have to fund it through the CIP, which would save $131,000 for seven years.

While Salvatore's model assumed the SPLOST would not pass, there would still be some money in 2024 to supplement the CIP in street repaving. A permanent restroom building at Drake Field was listed at $375,000. The Tennis Center had a long list of needed maintenance. The CIP included $1.7 million in FY 2024 for a new roof at the main building and complete reconstruction of the clay courts. A multi-purpose rescue vehicle was listed as a new piece of equipment for the Police at $300,000.

The impact of the SPLOST could be seen when it came to purchasing a $1.5 million Quint firetruck and $500,000 for a medic truck, along with other fire equipment needed at the stations. These purchases would have to come from debt services or cash if the SPLOST did not pass.

Salvatore pointed out another $1.7 million for the Tennis Center in the 2025 CIP. This would be for the hard courts, fencing, and the lights. Prebor reflected that they would be spending $3.4 million over two years just for the Tennis Center. The roof at the Kedron Fieldhouse was programmed to be replaced that year, also, Salvatore noted. Prebor questioned the $350,000 allocated, recalling they spent $750,000 on a new roof there years ago, but then corrected himself, saying that was the pool bubble, not a roof for the building.

By 2026, the runout from the SPLOST would have happened, and the City would have to fund at least $3.5 million to keep up with street resurfacing. The need might be greater than that, Salvatore cautioned, depending on street ratings and how much they could get done with the current SPLOST.

It would be a significant increase over the current $1.8 million spent from the CIP on paving. Cart path paving was in the General Fund, and it, too, was supplemented by SPLOST.

Prebor asked how many miles could be paved for $1.5 million? It depended on the kind of paving they were doing, Assistant City Manager Justin Strickland remarked. What if full depth reclamation (FDR) was required? Prebor asked. They could get 3.5 miles, he was told. Destadio noted they did nothave to do FDR on everything; it was based on the ratings. McMullen added that is why it was important to keep up with resurfacing before the roads got to that critical state.

What was the estimated number of FDR roads for next year? King wondered. Public Works Superintendent Jonathan Miller said they would have the figures back from the road condition survey in July or August, but the average was usually four to eight in FDR. Destadio said he wanted to see the street report when it was completed.

Was the Tennis Center maintenance a shared expense or was it all on the City? Caola inquired. All on the City, Salvatore told her, because the City owned the facility. The tenant paid $2,000 a month to lease the space and ran all the programs. The City did get a small cut of the revenues, which he estimated at about $12,000 in each of the last few years. The Tennis Center paid for cleaning and other smaller things, and the City paid for major capital upgrades, which could amount to a lot of money.

Caola asked if they could renegotiate the contract? Salvatore said it was year to year. Destadio wondered how often the courts were resurfaced? It was not every year, he remarked, and Salvatore agreed that spending this much money was unusual, but there was a lot that needed to be done. The Tennis Center was about 25 years old, McMullen said, and due for some major work.

They did have the resources to bring larger regional tournaments to the city, Salvatore remarked. The City could not do that if they managed it through the Recreation Department without having the right connections in the tennis community.

The Mayor asked where the Kedron Aquatic Center was in all these CIP projects over the years? That project was pushed back to the last year of the model, 2027. They had listed the pool covering as a $1 million loan, Salvatore said, but there were other options they could discuss in the coming years. They had done some patch work and work on the cement to keep it going for little longer.

Destadio asked if the playground update listed in 2027 was an extension of what they were doing now or was it expanding one particular playground? It was citywide improvement program, said Salvatore. Things always needed replacing.

Council and the former City Manager had discussed presenting some major projects, including the pool cover, to the voters, Prebor recalled. Salvatore said that would be a general obligation (GO) Bond referendum. They did that years ago with a long list of projects from the Recreation Commission. A referendum let the voters decide if they wanted to be taxed for these projects.

That would a large bond, Destadio mentioned, but Prebor said it depended what was put on it. And how long you financed it for, Salvatore added.

Kedron was originally funded through a bond, Salvatore noted. There was a library bond at one point, too, said Learnard. Salvatore said he believed some loans for the airport got refinanced into the library bond.

Learnard summed that up by saying the voters would get to decide, then, if the bond was approved, Council would put themselves on a schedule to pay it off. They used to have a bond millage rate of .039 year after year until the debt was paid. She remembered when she was new on Council in 2010 and 2011, and interest rates were advantageous, they worked hard to pay off or restructure some debt.

Another option was the use of ARPA funds, McMullen reported. They were scheduled to receive $13,526,000 in ARPA funding and had already assigned $991,000, which included premium pay and vaccine incentives. At the last meeting they awarded $660,000 for stormwater relining. This left a balance of about $12,535,000. The funds must be allocated by December 31, 2024, and completely spent by December 31, 2026. Those dates were not too far away if they had to design, bid, and build a project.

In February, Council allocated $6.6 million to sewer and water, $5.3 million to stormwater, and $1.3 million for contingency, for a total of $13.2 million.

What was the technical definition of allocated? Learnard asked. It meant you had awarded a project, McMullen said. They still had $12.5 million between the City and the Water and Sewerage Authority (WASA), after spending the $660,000. McMullen was recommending they revisit the allocations and use some of the ARPA funds to build Station 86. They would reduce the amount allocated to WASA by $1 million, to Stormwater by $750,000, and assign the $1.3 million in contingency to this project. This money had a drop-dead date so they needed a plan on spending it, McMullen commented.

This would give them $3 million for Station 86 and leave $5.6 million for WASA and $3.8 million for Stormwater. Right now, there were 22,000 linear feet of stormwater pipe categorized in the severe category. They were taking care of 6,000 linear feet with the $660,000. The $3.8 million would take care of the remaining 16,000 linear feet graded severe, and 19,000 of what was graded as moderate.

Station 86 was originally showed in the 2027 CIP. In addition to accelerating it, McMullen recommended expanding the scope of the project to include moving the Fire Administration facilities to Station 86. As for funding, there was money assigned to Station 82 for expansion, but McMullen said he would point out issues with that. A little over $4 million was needed for Station 86. McMullen stated that they could get $496,000 from the 2022 facilities bond money earmarked to Station 82; there was $541,000 in impact fees available, plus the $1.3 million in ARPA contingency funds, $1 million from WASA and $750,000 for the Stormwater ARPA funds. This totaled $4.1 million, and additional money was available from 2023 impact fee collections.

Destadio said he understood this was the new station they had talked about on land they owned, and they were going to have it designed and built by 2026. Hopefully before then, McMullen stated. Destadio said they went over WASA's amended budget that day and did not hear anything about this. He guessed they'd get a new budget next month, and McMullen said they would.

McMullen went over the benefits of accelerating the Station 86 project, saying doing it in cash would avoid future debt service with rising interest rates and future cost increases. Vehicles and personnel had already been acquired and were now working out of other stations. It would avoid a "Band-Aid" approach to expanding Station 82, which was the oldest station in the City. In the future, it might be relocated due to any annexations that might happen. They already had a location for Station 86. Also, the ARPA funds came with a deadline.

Salvatore showed a final five-year plan that anticipated the SPLOST failing, pointing out that the reserve fund would remain stable at 49%, which was one of their goals in keeping with the budgetary policy. As he said earlier, a .8 mill increase in the millage rate would be necessary to maintain those reserves. That millage rate increase could be postponed, depending on the SPLOST runout. SPLOST was coming in at $10 million, and this increase would replace just $2.5 million of that for street repaving.

He showed another model that would be accurate if the referendum passed, with the millage rate remaining the same, and the reserve balance jumping to around 51%. Either way, he said, they were not proposing a millage rate for 2023, although taxes would go up due to the 14% increase in the tax digest.

Were there capital projects they saw as potential future GO bond candidates? Learnard asked. Salvatore said they could use ARPA money for Kedron, then put other projects together for a bond. McMullen said the only other project he was aware of was Station 85. Structural issues and a facelift at City Hall were possibilities, too.

If SPLOST did not pass, Strickland remarked, there would things from that project list that they could put on a bond. Station 85 on the southside was a potential SPLOST project.

There were rules they would have to look into, Salvatore noted. He knew that if a referendum failed, the projects could not be brought back up for a certain period of time. They needed to remember that $9.6 million of the ARPA money was unrestricted and could be used for any general governmental services. Strickland said there was confusion about how the money could be used when they allocated it in February, but since then, there had been a ruling. There were a few exclusions—it could not be put into the pension plan or used to increase reserves or reduce taxes, for instance.

Caola asked if the Police headquarters expansion would meet all their needs? and Chief Janet Moon said she anticipated that it would.

There would be a public hearing on the budget at the July 12 Council meeting. They would have everything ironed out by then. The only thing that seemed to be undecided was the not-for-profit donation. Prebor said he needed more information on several things, and others agreed.

McMullen said he would be meeting with them two by two on another issue, and they could discuss budget issues then.

There being no further business, Learnard adjourned the meeting at 8 p.m.

Martha Barksdale, Recording Secretary

Kim Learnard, Mayor