

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Libbey Tucker, Community Services & Economic Development Director
Brian Whittle, Finance Director
DATE: November 21, 2013
SUBJECT: Minutes of 2014 Budget Workshop

The Finance and Administration Committee of the Whole met on Monday, November 18, 2013. Those in attendance included:

Mayor Bob Nation
Chairperson Mike Casey, Ward III
Councilmember Nancy Greenwood, Ward I
Councilmember Barry Flachsbart, Ward I
Councilmember Elliot Grissom, Ward II
Councilmember Dan Hurt, Ward III
Councilmember Connie Fults, Ward IV

Those also in attendance included City Administrator Mike Herring; Finance Director Brian Whittle; Police Chief Ray Johnson; Police Captains Ed Nestor & Steve Lewis; Community Services and Economic Development Director Libbey Tucker; Director of Public Services Mike Geisel; Planning & Development Services Director Aimee Nassif; Public Works Director Jim Eckrich, and Parks & Recreation Director Tom McCarthy.

Chairperson Mike Casey called the meeting to order at 5:30 p.m. and recognized City Administrator Michael Herring for his budget presentation.

1. Fiscal Year 2014 Budget Presentation

Mr. Herring began his presentation by thanking the Council and City staff for all the hard work they have put into the 2014 budget. He then reviewed the City's Mission Statement, noting the revisions were made at the recent retreat and that it is still an accurate reflection of the City's values, serving as a strong guide going forward.

2013 Projected Capital Improvement Sales Tax Fund: Mr. Herring began by reviewing the year-end projections for 2013 and first discussed the Capital Improvement Sales Tax Fund, noting that this is funded by a ½ cent sales tax, of which 15% is shared with the St. Louis County Sales Tax Pool. For this fund, revenues are generally spent in the year they are received. Revenues for 2013 are projected to be \$5,711,868 which is 5.5% above budget due to the sales from the outlet malls. (Sales from the outlet malls were not budgeted in 2013 since it was impossible to predict.) Expenditures in this fund are expected to be \$4,914,718 or 4.2% below budget. After transfer activity for the I-64 overpass, TIP application, Veterans Honor Park and TDD Forward

Funding for Kehrs Mill Road, there is a Fund Reserve Balance of \$1,286,648, a majority of which is planned to be spent by projects that will carry forward into early 2014.

In response to question from Councilmember Hurt regarding the additional maintenance responsibility of Ladue and Schoettler Roads, Mr. Geisel stated he is comfortable the funds for the next five years will accommodate these projects, in conjunction with grant funds.

Debt service on this fund is expected to retire in 2019. In response to question from Councilmember Grissom, Mr. Whittle explained the fluctuations in annual payments result from varying interest rates throughout the life of the debt as the debt is sold in groups in what is referred to as a tranche.

2013 Projected Parks Sales Tax Fund: Next Mr. Herring discussed the projections for the 2013 Parks Sales Tax Fund, which is funded by a half-cent sales tax, approved by voters in 2004. The City captures 100% of this tax. Revenues are \$230,000 higher than projected, also due to the outlet mall sales. He noted that slightly over 1/6th of revenues in this fund are generated by activities within parks, such as field, pavilion and amphitheater rentals; pool passes; concessions; etc. Beginning with a 12/31/12 fund reserve balance of \$2,721,627, total revenues are projected to be \$8,026,589 and expenditures \$5,118,431. Following debt service and transfers, the 2013 Fund Reserve balance is projected to be \$2,198,630, which includes \$131,258 above the 40% policy.

Projected 2013 General Fund: Mr. Herring then discussed the projected General Fund budget for 2013, which includes \$1,528,895 in additional expenditures authorized by City Council. Revenues are expected to finish only .1% below budget, and he commended Mr. Whittle on his ability to so closely project that budget figure. Likewise, expenditures are expected to finish 1.1% BELOW budget.

Mr. Herring discussed the amendments made to the budget throughout 2013, including funding for the design of the Veterans Honor Park, Forward funding the Valley TDD for improvements to Kehrs Mill Road, early debt payoff, wetland mitigation and others, totaling \$1,528,895. He noted that these expenditures were paid for from fund reserves and were one-time expenditures. Mr. Herring stated that five additional police officers were added in 2013 to help with needs arising from the two new outlet malls and also due to increased needs for regular patrols in our parks.

The General Fund began 2013 with a balance of \$14,112,293 and following transfers and fund reserve expenditures, is it projected to end with a balance of \$12,916,811. Mr. Herring then reviewed the debt payment schedule in this fund for 2013, noting that the public works facility debt was paid off in 2013 and that only the debt for City Hall is paid through the General Fund.

Next, Mr. Herring reviewed the Fund Reserve balance, which is projected to be \$8,191,562, which includes \$3,569,362 above the 40% reserve policy. The fund includes several projects that have been set aside including the local match for the pedestrian improvements on Chesterfield Parkway East, the Veterans Honor Park, Reimbursement for Wetland Mitigation and forward funding of TDD projects. Mr. Geisel noted that the pedestrian improvements on the

Parkway were primarily for grant –match funds for a walkway for the bridge and noted that his staff is working to tie this into improvements associated with the Mercy project. He also reminded Council that the wetland mitigation funds are reimbursed by developers as we sell the credits.

Proposed 2014 Capital Improvement Sales Tax Fund: Mr. Herring then began to review the projections for the 2014 budget, starting with the Capital Improvement Sales Tax Fund. He noted that revenues are projected to increase significantly due to the outlet mall revenues of \$850,000 and grant revenues for the Ladue Road and Timberlake Manor bridge projects, totaling an overall increase of \$2,394,060. This budget also requests the addition of one fleet mechanic, one project manager and one “junior” project manager. Mr. Geisel noted that we have four mechanics and a supervisor who maintain over 414 pieces of equipment plus 120 vehicles. Additionally, he noted that the project managers requested would primarily manage the Ladue Road and Timberlake Manor bridge projects. Total revenues are projected to be \$8,845,989. Expenditures include items such as asphalt overlay and street reconstruction, repairs to the Riparian Trail, Lydia Hill sidewalk extension, and several large vehicles such as dump trucks and total \$4,914,718. Fund Reserves in Capital Improvement Sales Tax Fund are projected to end at \$421,019.

Proposed 2014 Parks Sales Tax Fund: As a general overview, Mr. Herring stated that in the Parks Sales Tax Fund, one-half cent which is point of sale, projected unallocated funds are \$322,983. This is higher than originally projected due to the savings recognized from the recent bond refinancing. Outlet mall sales will increase revenues by 8.8% with expenses expected to increase 8.3% due to one-time improvements and repairs. 2014 Revenues are projected to be \$8,734,287 with expenditures and transfers for debt service payment leaving a fund balance of \$2,432,851. The budget includes a request for three new employees including two maintenance workers, due to the added maintenance of the highway intersections, and one Recreation Specialist. Additionally, it is requested that the Parks Fund will pay for half of the salary of a Communications Specialist, to be shared with the General Fund. Capital Expenditures include the purchase of various equipment items, signage at the CVAC, finishing the stream walk at Central Park, roof repairs at the pool, and tree plantings among other items totaling \$519,895. The Parks Fund - Fund Reserves is projected to have an ending balance of \$2,432,851 with \$284,601 available above the 40% policy.

Next, Councilmember Grissom asked how determinations are made as to which fund expenditures are associated with for various expenses. As an example, he noted the additional positions planned for police to assist with patrolling the Parks, and why wouldn't those be funded, or some portion of it, through the Parks fund? Chief Johnson noted that those positions would be patrolling other areas and doing other functions not associated with Parks. Additionally, Park Rangers do not have a similar presence or authority as police officers, so it is a better decision to fund them through General Fund. Councilmember Flachsbart stated he supported the Police Officer positions being paid for through the General Fund, but stressed that expenditures being charged to Parks should be made clear. Mr. Grissom further asked about the design funds for the Veterans Honor Park being paid by the General Fund. Mr. Herring stated that funds weren't available at the time in the Parks Fund and that General Fund Fund Reserves were available to allocate to that project. Otherwise, the project would be further

delayed until resources become available in the parks fund. He noted that City Council approved that expenditure and that while the Parks Fund is restricted to being spent only on Parks-related projects, the General Fund can be spent for projects city-wide. Councilmember Greenwood expressed that she felt it was better to wait until funds were available in the Parks fund rather than spending them from General Fund.

Next, Councilmember Hurt asked if the “citizens first” philosophy had changed for Parks, meaning that it was the direction of previous administrations to program the CVAC for sports events that would be for local residents. He is concerned that with so many tournaments, it is no longer primarily being used by residents and that our parks funds are therefore being spent on non-residents. Both Mr. Geisel and Mr. McCarthy assured those in attendance that every citizen wishing to participate in programs at the CVAC and/or elsewhere, could do so. Mr. Herring also noted that tournaments are a significant economic generator for Chesterfield, in terms of consumer spending on concessions, other dining and shopping and hotel stays, with the Parks division benefitting directly due to the sales tax. Those revenues enable citizens to actively participate in a wide variety of recreational opportunities.

2014 Proposed General Fund Budget: Next Mr. Herring reviewed the proposed 2014 Budget for the General Fund, with total revenues increasing only by 1% or \$200,627. He reminded everyone that this fund does not receive the direct benefit from the increased sales at the outlet malls, a majority of which will go to the Sales Tax Pool. There are three new police officers in this budget and funding for half of the Communications Specialist position.

In response to Councilmember Hurt, Mr. Whittle stated that labor and benefits costs are projected to increase at around 4%, which is typical. Mr. Herring noted that the City typically does not maintain full employment so the actual cost for salaries/fringe is always less than that projected increase.

Mr. Herring then reviewed the General Fund Revenues, noting that Utility Taxes make up the largest portion of revenues at 35.5%, with Sales Tax and Intergovernmental revenues being the next largest, respectively. Total Revenues for 2014 are projected at \$21,152,900. While car sales are increasing, fuel tax revenues are decreasing, along with utility taxes from telephone land lines. Cell phone providers continue to refuse to pay their share of utility taxes and municipalities continue to work on this issue. Total expenditures are expected to be \$19,614,602 for 2014. Mr. Herring reviewed various capital expenditures including server replacement for the public works facility, 10 police patrol vehicles, an engineering copier/scanner, and street maintenance equipment among others. Mr. Geisel noted that police cars are replaced at 75,000-80,000 miles and either sold or retired into our regular fleet.

Councilmember Derek Grier, Ward 2 and Councilmember Bruce DeGroot, arrived at this time.

The Fund Reserve Balance is then projected to be \$13,003,942, with \$3,405,054 being available over the 40% reserve policy. Mr. Herring reminded everyone that Staff has identified a significant list of capital improvements that will systematically be forwarded to City Council, with funding coming from the surplus Fund Reserves noted above. Those capital expenditures cannot otherwise be accommodated by the General Fund.

Mr. Herring noted that a public hearing will be held on December 2, prior to the City Council meeting and that the proposed FY2014 Budget will need to be adopted, at that meeting. Chairperson Casey then opened the floor for further questions about the proposed FY2014 Budget.

In response to Councilmember Greenwood, Ms. Tucker explained what the Communications Specialist position entailed. She noted that currently, she handles all public relations and communications functions for the City, but that for Parks events, several people in the parks division also spend time on this. Having one person to coordinate ad placement agreements in various publications in the region and design consist marketing content would be more effective. This person would also coordinate production of the Citizen Newsletter and also serve as a central point person to maintain the web site and ensure the content is current. Currently staff in various divisions have this responsibility. This person would also be responsible for social media within the City and Parks divisions, wherein it is decentralized currently. Creating this position would also allow for Mr. Tucker and staff in the Parks divisions to more effectively work in their respective positions. It was noted that a salary of \$42,810 is budgeted for the position, not including benefits.

In response to a question, Mr. Geisel stated that while there are great economies of scale resulting from the current structure of the Public Services Department, the Streets division staff do not maintain the fields at the CVAC or work during the tournaments.

Chairperson Casey commended Mr. Herring on his presentation. Mr. Herring again reminded everyone that this proposed FY2014 would be presented at a Public Hearing, just prior to the City Council meeting, on December 2 and would then need to be adopted, by approval of a RESOLUTION, later during the regular City Council, that same evening. He again expressed his appreciation to and commended the entire Management Team, on their role in the preparation of the budget and noted there was a great deal of collaboration between/among various Departmental divisions, in finalizing plans for FY2014.

2. Life Insurance for Councilmembers

Mr. Herring reminded Councilmembers that the Finance & Administration Committee had deferred to the full Council to make a decision regarding continuance of a term life insurance policy made available to all Elected and some Appointed Officials, following the Kirkwood shootings. The policy is a \$100,000 term-life policy which is reduced at certain age levels. The annual cost is \$1210 for Councilmembers and Mr. Herring asked that they make a decision if it should be included in the budget for FY2014. He also noted that it is also offered to the City Attorney, Judge, Prosecuting Attorney and Assistant Prosecuting Attorney for a total additional cost of \$750 annually. Councilmember Hurt stated that since this topic is ultimately about compensation for Councilmembers that it deserved further discussion and suggested that the Councilmembers reconvene following the regular Council meeting. Councilmember Flachsbart made the motion as such and Councilmember Fults seconded it. Those present unanimously agreed to reconvene to discuss it further.

3. City Employee Gift Cards

Councilmember Fults expressed her wish to see that City staff are rewarded for all their hard work, and asked if other Councilmembers would support a motion to approve funds for issuing each City staff a voucher for groceries to participating local grocery stores the amount of \$200 each. Mr. Herring noted that this would cost approximately \$45,000. The Council agreed to also discuss this at the reconvened meeting.

6. Adjournment

The meeting was adjourned at 6:45 p.m., so that everyone could attend the Agenda Review meeting.

7. Reconvene

The meeting was reconvened at 8:06 p.m., following the regular City Council meeting

3. City Employee Gift Certificates

Councilmember Fults made a motion, seconded by Councilmember Grier, that \$200 gift certificates be awarded to all employees who have full-time status, as of December 1, 2013. Mr. Herring explained that the total cost, estimated at \$50,000, would come from existing/unspent salary/fringe dollars, within each Fund. Mr. Herring further explained that these gift certificates cannot be used for alcohol or tobacco products and that the entire amount must be spent in Chesterfield grocery stores. Staff will contact all such stores and determine the willingness of each to participate in this program. The motion was approved unanimously.

2. Life Insurance for Elected and certain Appointed Officials

Councilmember Grier made a motion that four (4) Appointed Officials (City Attorney, Municipal Judge, Prosecuting Attorney and Assistant Prosecuting Attorney) continue to receive this benefit, on a voluntary basis, without any changes, and that funding (see above) be included in the FY2014 Budget. The motion was seconded by Councilmember Hurt and approved unanimously.

Councilmember Grier made a motion, seconded by Councilmember Fults that all Elected Officials continue to receive this benefit, on a voluntary basis, without any changes, and that funding (see above) be included in the FY2014 Budget. The motion was approved, by a vote of 5-3, with Councilmembers Greenwood, Flachsbart and Hurt voting “no”.

There being no further business to discuss, the meeting was adjourned at 8:37 p.m.