MEMORANDUM

TO: Members – F&A Committee

FROM: Michael G. Herring, City Administrator

DATE: November 20, 2014

SUBJECT: Minutes – 11-17-2014

The Finance and Administration Committee of the Whole met on November 17, 2014. Those in attendance included: Chairperson Derek Grier, Ward II; Councilmember Barry Flachsbart, Ward I; Councilmember Nancy Greenwood, Ward I; Councilmember Elliot Grissom, Ward II; Councilmember Mike Casey, Ward III; Councilmember Dan Hurt, Ward III; Councilmember Bruce DeGroot, Ward IV; Councilmember Connie Fults, Ward IV; Mayor Bob Nation; City Administrator Mike Herring; Finance Director Craig White; Chief of Police Ray Johnson; Director of Planning and Public Works Mike Geisel; and, Community Services/Economic Development Director Libbey Tucker. Those also in attendance included Management Analyst, James Mello Jr.; Public Works Director, Jim Eckrich; Planning/Development Services Director Aimee Nassif; Captain Steve Lewis of the Chesterfield Police Department; Captain Ed Nestor of the Chesterfield Police Department; Parks & Recreation Director Tom McCarthy; and three members of the public.

Chairperson Derek Grier called the meeting to order at 5:15 p.m.

1. Introduction

Mr. Herring, City Administrator, introduced himself and Director of Finance Craig White. Mr. Herring then gave a general overview of the purpose of the meeting and the order in which the information would be presented.

2. Capital Improvement Sales Tax Fund

Mr. Herring and Mr. White alternated explaining the details regarding the projected FY2014 performance of the Capital Improvement Sales Tax Fund. The ½-cent capital improvement sales tax is collected on a point-of-sale basis. However, the City loses 15% of the amount generated, to the St. Louis County Sales Tax Pool. Revenue projections, through 12/31/14, are expected to total $8,774,820 of that $6,180,060 is from sales taxes. Expenditures, as of 12/31/14, are expected to total $7,911,131 which includes numerous capital construction projects, citywide, as well as debt service payments. Current projections indicate that fund reserves, as of 12/31/14, are projected to be $1,365,179. However, revenues for the months of October, November and December have not yet been received and could impact the ending fund balance, within this Fund.

The following list of FY2014 projected expenditures was presented.

Concrete Street Reconstruction Program	$1,950,000
Ladue Road Construction	2,490,000
Timberlake Bridge Construction	900,000
Asphalt Overlays	167,000
Trench Gate Replacement	20,000
Sidewalk Replacement	200,000
Radios	55,000
Olive and Woodsmill	24,000
Route 141 Beautification	157,000
Misc Landscaping Improvements	102,582
PW Facility Waste Oil Heaters (2)	24,800
Tandem Dump Truck	148,102
2.5 Ton Dump Truck	131,670
1 Ton Flatbed Truck	58,183
1.5 Ton Dump Truck	68,000
Truck Equipment	59,100
Personnel Costs	214,569
Crack sealing	147,000
Seal Parking Garage Deck	65,000
South Greentrails Drive Design	183,000
App Trail Phase 2 Design	120,000
Wilson Road Design *	160,000
Kehrs Mill / Long Rd	49,000
Inspection/Testing Services	273,000
Veterans Honor Park	46,000
TDD Beautification	65,000
Grant Applications	23,000
Other Design	10,125
	$7,911,131

During FY2015, this ½-cent sales tax will fund the projects noted below, as well as the annual debt service payment, on a $30 million bond issue, which, for FY2015, is projected to total $1,940,942. This payment reflects savings realized due to the City's recent decision to refinance this debt. In FY2015, revenues are projected to total approximately $8,067,252, which includes $6,365,462 in sales tax and $1,701,790 in grant funds, for the Schoettler Road Bridge design, Greentrails Right-of-Way, Appalachian Trails II reconstruction, and CDGB Handicap Ramps. City Staff has been aggressive in seeking grant funds to supplement dollars from this Fund, which are used for major capital improvement projects. Proposed capital expenditures for FY2015 are $7,149,021.

The following schedule of FY2015 budgeted expenditures was presented:

Riparian Trail Channel Stabilization *	$1,000,000
Concrete Street Reconstruction	1,900,000
Appalachian Trail Phase II	1,982,000
Wilson Road Culvert *	405,000
Asphalt Overlays	125,000
Selective Slab Replacement	250,000
Wheeled Loader Replacement	160,000
S-109, 2.5 Ton Dump Replacement	142,000
S-70, 1.5 Ton Dump Replacement	109,000
S-74, 1.5 Ton Dump Replacement	109,000
Trench Grate Replacement	20,000
Sidewalk Replacement (CDGB Grant)	200,000
Personnel Costs	257,021
CNG Grant application	10,000
Inspection/Testing Services – slab/sidewalk	115,000
Misc. design	25,000
Misc. Inspection and Construction Testing	25,000
Schoettler Bridge Design (STP Grant)	210,000
Schoettler Phase I Grant Application	10,000
South Green Trails ROW (STP Grant)	75,000
South Outer I-64 Phase I grant application	20,000
	$7,149,021

* Carryforward from FY2014 Budget

As previously noted, it is City Council's policy to spend all funds available, within this Fund, on an annual basis. Based upon the projects scheduled for completion, during FY2015, Fund Reserves should be reduced to a balance of just $342,118, as of 12/31/15.

A motion by Councilmember Fults to recommend the approval of the FY2015 Capital Improvement Sales Tax Fund Budget for presentation and approval at a public hearing and subsequent City Council meeting on December 1, 2014, seconded by Councilmember DeGroot, passed by vote of 8-0.

3. Park Sakes Tax Fund

Mr. Herring and Mr. White alternated explaining the details regarding the projected FY2014 performance regarding the Parks Sales Tax Fund. The Parks Fund is supported by a ½-cent sales tax and, unlike the General Fund Sales Tax and the Capital Improvement Sales Tax, the city receives 100% of the revenue from this tax, which is generated on a point-of-sale basis. Staff projections for 12/31/14, indicate total revenue of $9,042,922, which is approximately 0.4% above original budget projections. Total expenditures of $5,865,850 are projected to finish 1.4% below budget. Debt service payments, during FY2014, totaled $2,824,981 and reflect savings realized by a City Council-authorized refinancing. Current projections, indicate that ending fund reserves, as of 12/31/14, will be $2,766,329, with $399,989 available, above the City's "40% Policy".

During FY2015, the Parks Sales Tax is estimated to generate approximately $9,349,033 in revenue. During FY2015, sales taxes are projected to increase by 3.0% for a total of $7,488,514. It was noted that revenues generated by "user fees", at recreation facilities, like the Chesterfield Valley Athletic Complex and Family Aquatic Center, represent approximately 1/6 of total revenues and are anticipated to total $1,528,850.

FY2015 expenditures are projected to total $8,828,232 ($5,960,925 for the operating budget, $2,867,307 in debt service payments and related fees). The debt service payments reflect savings realized, due to a refinancing that occurred, in 2014. One new position, a Recreation Specialist, will be added, during FY2015. Mr. Herring confirmed that the decisions made by City Council, at the Special City Council meeting, on November 8, regarding the City assuming responsibility for "public art", have all been reflected within the proposed FY2015 Budget. Total revenues are projected to be $520,801 above expenditures, including transfers and debt payments, and fund reserves are projected to increase to $3,287,130, or $882,760 above the "40% policy".

A motion by Councilmember DeGroot to recommend the approval of the FY2015 Parks Sales Tax Fund Budget for presentation and approval at a public hearing and subsequent City Council meeting on December 1, 2014, seconded by Councilmember Fults, passed by vote of 8-0.

4. <u>General Fund – FY2014</u>

Mr. Herring and Mr. White alternated explaining the details of the projected performance of the FY2014 General Fund budget. The FY2014 General Fund Budget currently projects revenues to total $21,635,078, or 2.1% above the original budget. General Fund expenditures and transfers are projected to total $19,041,645 and $1,543,033, respectively. Total expenditures are projected to finish 4.1% below budget. During FY2014, City Council approved a planned use of Fund Reserves, above the "40% Policy", to cover a number of one-time expenditures. Those additional expenditures would have reduced the Fund Balance by $1,607,979. However, due to the better-than-anticipated performance of the General Fund, during calendar year 2014, the actual reduction in Fund Balance is now only projected to total $381,867.

Upon the conclusion of the FY2014 General Fund Budget presentation by Mr. White, Mr. Herring presented the possibility of using the Budget Surplus for the purposes detailed in items 5 and 6 below.

5. <u>Elimination of Property Tax</u>

Mr. Herring and Mr. White indicated that $490,000 could be set aside from the initial projected FY2014 budgetary surplus of $1,226,112 to completely retire debt payments for which the property tax was being assessed. A general discussion among the

Councilmembers ensued in which they clarified that while the elimination of the tax may not provide significant savings to each individual household, it would send a positive message about the Council's commitment to City residents.

A motion was made by Councilmember Flachsbart to use up to $490,000 of General Fund budget surplus, as of 12/31/14, to enable retirement of the .03/100 City property tax in 2015, seconded by Councilmember Greenwood, and approved by a vote of 8-0.

6. Partial Conversion of Public Works Vehicle Fleet to Compressed Natural Gas (CNG)

Mr. Herring and Mr. Geisel outlined the Staff proposal to use $125,000 of FY2014 budget surplus funds for a partial conversion of Public Works vehicles to Compressed Natural Gas (CNG). Following actions taken by City Council, as noted in #5 above, $736,112 remaining in FY2014 Budgetary surplus, to cover this expense. Advantages to the conversion include a significant savings in cost per gallon of fuel, as well as a more stable fuel price market compared to diesel fuel and the fact that CNG burns quieter and cleaner than diesel fuel. Since the Parkway School District has constructed a CNG fueling facility, at the Parkway Central H.S. campus, Staff has been negotiating with Parkway for the ability to acquire fuel, at that location. Mr. Geisel noted that, should the partial conversation of vehicles produce the savings that are projected, with no downside, he would ultimately recommend that City Council authorize funding for a CNG fueling facility at the P.W. Maint. Facility. That would not occur until at least 5 years have passed.

A general discussion among the Councilmembers ensued, including statements by Councilmembers Flachsbart and Greenwood that residents in their Ward, near the Parkway Central H.S. fueling station, were extremely upset by the noise generated by school buses using the station and would not support increasing usage of the site via City vehicles.

Further discussion ensued.

A motion to use $125,000 of the projected 12/31/14 General Fund budget surplus, to begin the process of a partial conversion of Public Works fleet vehicles to CNG technology, was made by Councilmember Grissom and seconded by Councilmember Casey. An amendment was made by Councilmember Hurt to only purchase new vehicles with CNG technology at this time and not to retrofit any vehicles. That would mean that only 5 vehicles would be impacted by this decision. The amendment was passed by a vote of 5-3. Those voting "no" included Councilmembers Flachsbart, Greenwood and Casey. The original motion, as amended, was then passed by a vote of 5-3. Those voting "no" included Councilmembers Flachsbart, Greenwood and DeGroot.

7. General Fund – FY2015

At this time, Mr. Herring and Mr. White continued with their presentation by explaining the details of the proposed FY2015 General Fund Budget. General Fund revenues are estimated to total $21,866,718 for FY2015. Revenues from sales tax and utility gross receipts taxes represent 31.6% and 35.0%, respectively, of the City's total revenue. Intergovernmental revenues, including motor fuel taxes, motor vehicle sales taxes, cigarette taxes, road and bridge taxes, and other grant sources represent 19.2% of the City's total revenues. The remaining 14.2% is made up of licenses and permits (7.2%), court receipts (5.7%) and other miscellaneous sources (1.3%).

Projected FY2015 revenues, of $21,866,718, represent an increase of 3.3% from our 2014 budget. Sales taxes are projected to grow 3% in 2015 and utility taxes are projected to increase by just 1.0%. We believe this growth is conservative based on historical trends and the current economic climate.

The general fund budget for FY2015, excluding operating transfers out, reflects total estimated expenditures of $20,117,416. This number is comprised of operating expenses and capital equipment purchases for the various departments of the City. Including net operating transfers, of $1,463,338, General Fund expenditures will total $21,580,754. "Operating transfers" include debt service payments for our City Hall and additional minor transfers. Based on the revenue and expenditure projections, General Fund - Fund Reserves will increase by $285,964 in FY2015. The proposed FY2015 Budget includes funding for two new positions: (1) Planning Technician; (1) Building Maintenance Technician.

The City's two largest areas of operation, Police and Public Services, comprise the majority of all operating expenditures, totaling a combined 82.5% of the proposed budget (excluding transfers out). The Police budget, at $9,504,474, represents 47.2% of the budget and the Public Services budget at $7,066,987, represents 35.1% of the budget. If, however, the total amount budgeted for the Capital Improvement Sales Tax Fund, for FY2015, is added to the Public Services budget, the total amount budgeted in support of public infrastructure increases by $7,149,021, reflecting a total commitment of $14,216,008. Capital equipment purchases in the General Fund total $410,067 for the various departments of the City.

Fund Reserves are projected to increase by $285,964, to $13,842,348, as of 12/31/2015, reflecting currently projected unallocated dollars, within the context of the proposed budget. The City of Chesterfield remains fiscally strong and maintains General Fund - Fund Reserves of over 40% of the City's operating budget. This policy was put in place by the City Council to ensure the financial strength of the City. The 40% policy means that $8,655,542 must be set aside and not spent. $1,288,836 of the $5,339,206 has previously been encumbered for specific purposes, which leaves $4,050,370 available to fund additional projects, as reviewed/approved by City Council, during FY2015 and beyond. At the request/direction of the Finance and Administration Committee, Staff previously identified and forwarded to City Council a list of large capital projects, which could be funded via the use of these funds, over the next 5-10 years. These "available dollars" have tentatively been committed for that purpose.

8. Meeting suspended / resumed

A motion by Chairperson Grier was made to suspend the meeting at 7:00 p.m. and to reconvene at the conclusion of the City Council meeting, seconded by Councilmember Greenwood, passed by a vote of 8-0.

Meeting was resumed at 7:30 PM by Councilmember Grier.

9. Addition of 2 Police Officers

At this time, Councilmember Greenwood began a discussion of the possibility of adding 2 Police Officers in FY2015 to serve as additional School Resource Officers (SRO) in the Elementary schools within Chesterfield. Councilmember Greenwood noted that there are 13 Elementary schools in Chesterfield and only 2 SROs are assigned to them.

Mayor Nation expressed concern about adding expenditures to the Police Department budget. Councilmember Flachsbart noted that growth in businesses brings in revenue to increase Police presence in those areas, there is not similar growth or revenues being made by school populations.

Councilmember Grissom asked Chief of Police Ray Johnson why such a request was not made by the Police Department itself as part of the FY2015 Budget. The Chief clarified that SROs are typically paid for primarily by the school district itself, not by the City, and he was unaware of funds available from the school district for additional SROs. Mr. Herring also clarified that, should City Council approve this recommendation, the new Officers could not be added any sooner than April 1, 2015. The cost associated with adding those new Officer, for 9 months (salary + fringe) would be $102,000.

Councilmember Greenwood made a motion to add two Police Officers to be assigned to the elementary schools in Chesterfield. Funding would come from unallocated dollars, within the context of the proposed FY2015 budget. The motion was seconded by Councilmember Hurt and the motion passed by a vote of 7-1. Councilmember Grissom voted “no”.

A motion by Councilmember Greenwood to recommend the approval of the FY2015 General Fund Budget, as amended, for presentation and approval at a public hearing and subsequent City Council meeting on December 1, 2014, seconded by Councilmember Grissom, passed by vote of 8-0.

It was noted that this action changed the proposed FY2015 General Fund figures. The Police budget now totals $9,606,474 and proposed General Fund expenditures total $20,219,416. Fund Reserves are now projected to increase by $183,964 in FY2015 and total $13,125,348 on 12/31/15. The amount above the 40% policy is $3,140,170.

10. Adjournment

There being no further business to discuss, Chairperson Grier adjourned the meeting at 8:05 p.m.