

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Kelly L. Vaughn, Director of Finance and Administration
DATE: July 27, 2010
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, July 26, 2010. Those in attendance included: Chairperson Randy Logan, Ward III; Councilmember Matt Segal Ward I; Councilmember Lee Erickson, Ward II; Councilmember Bob Nation, Ward IV; City Administrator Mike Herring; Assistant City Administrator for Community Services and Economic Development Libbey Tucker; and, Director of Finance and Administration Kelly Vaughn. Those also in attendance included Councilmember Bruce Geiger, Ward II; Councilmember Mike Casey, Ward III; Assistant Director of Finance and Administration Brian Whittle; Jessica Bassett, an intern working with Ms. Tucker; Stacey Morse, Chesterfield Arts; Jim Mello, Armstrong Teasdale, Mike Williams, Partner, Hochschild, Bloom, and Company; Steve Wunnenberg, Chesterfield Hill Neighborhood; and Cathy Lasater, Chesterfield Hill Neighborhood.

Chairperson Randy Logan called the meeting to order at 5:30 p.m.

1. Approval of Minutes—June 28, 2010

Councilmember Erickson motioned to approve the minutes from the June 28, 2010 meeting of this Committee. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Discussion Regarding Chesterfield Hill NID

Ms. Malberg updated the committee on the Neighborhood Improvement District (NID) petition, submitted by the Chesterfield Hill subdivision. She stated that, if approved, improvements will be made to the two stormwater retention basins in the Chesterfield Hill Subdivision. The cost of the project will total approximately \$163,062, which includes all of the “costs” incurred by the City in establishing this “NID”. Given the relatively small total cost, Staff recommends that the total cost be financed by the City, at an annual interest rate of five (5%) percent and repaid via annual installments, spread out over twenty (20) years. The interest rate was developed, with the help of the City’s Financial Advisor, Michelle Bock. The cost will be divided equally among all of the residents and added to the resident’s property tax bill, by St. Louis County. Residents will be given the option of paying their individual costs, in lump sum, by a certain date. If unpaid, the amount owed to the City will become a tax lien on the property. Ms. Malberg stated that the neighborhood has the needed amount of votes from residents to move

forward. She recommended that the Committee forward this application to the City Council and that a public hearing on the application be held.

Councilmember Segal commended Staff for recommending funding of this project, using Fund Reserves. In effect, this will enable the City to obtain a significantly higher yield on these funds than is currently available. Staff affirmed that adequate, unrestricted Fund Reserves exist to cover this entire expense.

If approved by this Committee, it will be forwarded to City Council, at the August 16 City Council meeting, for review/approval, in concept, and City Council will be asked to schedule a formal Public Hearing on this proposal, before considering it for final approval, at a future meeting.

Councilmember Erickson motioned to forward the NID application to City Council for review and the scheduling of a public hearing. Councilmember Segal seconded the motion. A voice vote was taken, with a 3-0 vote, and the motion was approved. Chairperson Logan abstained, due to the fact that he is a resident of the Chesterfield Hill subdivision.

3. Discussion Regarding FY2009 Audit/CAFR

Mike Williams, partner at Hochschild Bloom & Company, discussed the 2009 financial statements and related reports. He pointed out that the City received a Certificate of Achievement in Financial Reporting. He said this certificate was important for bond ratings and certainly demonstrated to the citizens of Chesterfield that the City's finances are in good hands. He next noted that the City received an unqualified opinion on the financial statements. **This is the highest opinion that can be given for financial statements.** Next Mr. Williams discussed the report on internal control. The report states that no deficiencies in internal control over financial reporting were noted. The next report discussed by Mr. Williams was the management letter addressed to the Mayor and City Council. This report expressed appreciation to the City's personnel for cooperation and courtesy during the audit.

Mr. Herring thanked Mr. Williams for the presentation and report. Mr. Herring commended the auditors for their tremendous effort and thoroughness. The auditors confirmed his sense that Ms. Vaughn and her entire Department were attending to ALL the financial details of the City. Mr. Herring noted that the FY2009 Comprehensive Annual Financial Report (CAFR) was prepared in-house this year as part of staff's ongoing effort to reduce expenditures. He thanked Mrs. Vaughn for taking on this project. Ms. Vaughn stated that Brian Whittle, Assistant Director of Finance and Administration, had dedicated a significant amount of time and effort to compiling the report. Mr. Whittle worked as an Audit Supervisor prior to his employment with the City, where he gained a great deal of experience in CAFR preparation. Ms. Vaughn expressed her appreciation of his hard work on the project.

A brief discussion ensued regarding a problem that was discovered re: one of the City's investments. The City maintains investments totaling approximately \$36 million. Of that amount, one investment was determined to be under-collateralized, by \$42,000. That investment and all of the interest earned was recovered, in full, but the potential existed, while under-collateralized, for the City to have lost that \$42,000. Ms. Vaughn noted that the bank in question failed to live up to its obligation, by not providing the necessary collateral. As a result, that bank will not be used for future investments. Additionally, Ms. Vaughn committed her Staff to being more vigilant with all investments. Again, every dollar related to that investment was recovered and all investments are currently fully-collateralized.

Councilmember Erickson motioned to recommend approval of the FY2009 Audit, as presented. Councilmember Nation seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

4. Funding Request From Chesterfield Arts re: 'Mural Project'

Stacey Morse, Chesterfield Arts, discussed a mural project on a part of the Chesterfield Levee. She described the mural as a community engagement project that is in line with the City's Master Art Plan. The mural will be created and painted by the community, and local students, primarily, will participate in the design of this project. She said that fifty-four students are currently attached to the project. She said that she has worked with both the City's Public Works and the Levee District to ensure the project does not interfere with their plan. She is currently working on funding for the project and has received some corporate donations. She said that currently they have a conservative budget of approximately \$50,000 for the project.

Councilmember Geiger noted that this is a one-time project that will give the City a lot of positive publicity. After a brief discussion, the committee decided that a \$15,000 dollar-for-dollar match would be the best course of action and the commitment from the City would help Ms. Morse to get more funding.

Councilmember Logan made a motion to recommend that the City Council approve a \$15,000 dollar-for-dollar match, from General Fund Fund Reserves, to fund this project. Councilmember Segal seconded the motion. A voice vote was taken, with a 3-1 vote, and the motion was approved. Councilmember Nation voted "no".

5. Recommendation for Setting FY2010 Property Tax Rate

Ms. Vaughn stated the City has a property tax levy to pay for the retirement of a Parks General Obligation Bond issue. Originally, a \$.13 levy was required to pay for the principal and interest rates. Due to growing assessed valuation, that rate was lowered over time to \$.03. She stated that the City could continue with the \$.03/\$100 rate and maintain a healthy debt-service situation. She said that based on current conservative projections there may be a small shortfall in the final year. She noted that the City does not want to finish with a surplus because the City cannot keep the excess funds.

Councilmember Segal made a motion to recommend the City Council keep the \$.03/100 property tax rate and hold both readings at the August 16th meeting. Councilmember Nation seconded the motion. A voice vote take was taken, with a 3-1 vote, and the motion was approved. Councilmember Erickson voted “no”, expressing concerns only with the plan to hold two readings, at the August 16 meeting.

8. Discussion re: “Sprucing-up Chesterfield”

Mr. Herring suggested that this item be discussed next, due to the fact that several members of the Committee were planning to attend the Planning Commission meeting. Councilmember Erickson, who asked that this item be added to this AGENDA, then asked that this item be tabled until the next meeting of this Committee.

[Councilmember Segal left at this point in the meeting in order to attend the meeting of the Planning Commission.]

6. Discussion Regarding FY2010 Financial Update

Ms. Vaughn noted that sales tax increased 16.5% for the month of May and was only down 2% year-to-date in the General Fund. A general discussion occurred regarding the timing of sales tax collections and the variances that occur month to month. The Committee agreed that this month’s receipts were a positive development.

7. Sales Tax Analysis

Mr. Herring noted that Ms. Vaughn prepared an analysis of sales tax in the City, breaking down the overall numbers in order to provide some insight into how well various retail clusters are performing. He stated this analysis was in response to requests from the Committee. He encouraged the Committee to take time to review the information. Mrs. Vaughn noted that collections from the Park Sales Tax Fund were used in the preparation because it best represented the performance of the City, in that this is a POINT-OF-SALE sales tax, for which the City receives 100% of proceeds. She stated that she would begin to include the analysis with the financial packet every month.

Councilmember Logan thanked her for preparing the analysis and pointed out that the Mall has held steady at approximately 16% of total City sales. He said this was contrary to perceptions about how the Mall was doing and was useful for analyzing the City’s sales tax collections.

9. Adjournment

There being no further business to discuss, Chairperson Logan adjourned the meeting at 7:04 p.m. The Committee’s next meeting has been scheduled for Monday, August 23, at 5:30pm.