MEMORANDUM

TO: Members – F&A Committee

FROM: Michael G. Herring, City Administrator

DATE: June 30, 2014

SUBJECT: Minutes – 6-30-2014

The Finance and Administration Committee met on June 30, 2014. Those in attendance included: Chairperson Derek Grier, Ward II; Council Committee Member Barry Flachsbart, Ward I; Council Committee Member Mike Casey, Ward III; Council Committee Member Bruce DeGroot, Ward IV; Mayor Bob Nation; City Administrator Mike Herring; Finance Director Craig White; and, Community Services/Economic Development Director Libbey Tucker. Those also in attendance included: Councilmember Elliot Grissom, Ward II; Councilmember Dan Hurt, Ward III; Councilmember Connie Fults, Ward IV; Management Analyst, James Mello; Michelle Bock, Financial Advisor with Piper Jaffray; Mary Brown, President of Chesterfield Arts; Bud Hirsch, Business Manager at Chesterfield Arts; Mike Doster, Vice President of Chesterfield Arts; and three visitors.

Chairperson Derek Grier called the meeting to order at 5:30 p.m.

1. <u>Approval of Minutes – May 28, 2014</u>

Councilmember Grier motioned to approve the minutes from the May 28, 2014 meeting of this Committee. Councilmember Flachsbart seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. <u>2005 General Obligation Bonds & 2009 Certificates of Participation Refunding</u>

Mr. Herring stated that, as noted in the memos prepared by Mr. White and Ms. Bock, the City had an opportunity to generate significant savings by refunding the City's 2005 General Obligation Bonds and 2009 Certificates of Participation. Mr. White discussed the opportunity further, noting that the 2005 general obligations are funded by the Capital Improvements Sales Tax Fund and such a refunding was estimated to save the City $497,000. Likewise, the 2009 Certificates of Participation are funded by the Parks Sales Tax Fund and the City could save an estimated $368,000. Mr. White noted that there were no other debt instruments that could currently be refunded but future opportunities would be closely monitored by Piper Jaffray. Ms. Bock went on to explain that the two refundings would take place as early as December 1, 2014 and February 15, 2015.

Mr. White and Ms. Bock were asked to clarify some key points. They confirmed that such action would not extend the maturity date of the loan and would lower the City's average annual debt service payments. They also confirmed that the estimated savings discussed were net of any costs associated with the refunding.

Following additional discussion, Councilmember Flachsbart motioned to direct staff to bring the issue directly to the City Council, for further review and approval, which may include readings at the August 4 and 18 meetings or two readings at one meeting to expedite the process, rather than coming back to the F&A Committee with the details first. Councilmember Casey seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

3. <u>Chesterfield Arts Presentation</u>

A presentation was made to the Committee by Ms. Mary Brown, President of Chesterfield Arts, Mr. Bud Hirsch, Business Manager of Chesterfield Arts, and Mr. Mike Doster, Vice President of Chesterfield Arts. The presenters stated that Chesterfield Arts has a serious, but potentially temporary financial crisis, that if not addressed, could force them to cease operations on August 31, 2014. The crisis was brought on by multiple causes, but primarily is attributed to an overly ambitious Strategic Plan, the hiring of a Development Director that did not have the intended effects, and losses of multiple key revenue sources and sponsors/donors, in 2013 and 2014.

To address these issues, Chesterfield Arts has restructured its Board with a focus on business and financial solvency, including the generation of a new business plan. Coinciding with the board restructuring, Chesterfield Arts is also exploring options to sell some of its existing art assets, make staff reductions, scale back programming to revenue-positive activities, and negotiating expanded lines of credit with creditors, among other things.

The requests made of the Committee at this time were twofold. One was to request that the City purchase the *San Marco II Horses* (located in front of City Hall) by Ludivico de Luigi for $250,000. (A letter was provided by Ludivico de Luigi's art dealer, stating the pieces are valued at €350.000,00 each, or $959,000 USD for the pair based on exchange rates as of 7/1/14) and the second request was to secure a verbal commitment to renew the City of Chesterfield's $100,000 annual contract with Chesterfield Arts. It was stated by the presenters that these additional funds, in addition to working with the interim business plan to scale back operations, would keep Chesterfield Arts operating through the end of 2015. At that time, they expect to have a new business plan with which to move forward. The plan will include developing a new donor base and revenue streams to replace those lost in recent years.

Chairperson Grier inquired as to the market for the *San Marco II Horses* and the presenters informed the committee that there was no known market for the statues or "monument pieces". They had no information on the sale or auction of similar pieces.

Councilmember Hurt inquired as to what the staff costs were for Chesterfield Arts, noting that he recalled that originally there were only volunteers. Mr. Hirsh clarified that the organization began as a volunteer Commission of the City and soon established itself as a 501C3, not-for-profit entity. The Board was established by primarily utilizing those

volunteering on the Commission. He informed the Committee that they currently have 3 Full-Time employees, 1 Part-Time employee and 1 hourly employee. Those figures are the result of a recent downsizing.

Several questions were then posed to the presenters about alternative options, but Mr. Doster stated that other alternatives had already been explored and that without the sale of the *San Marco II Horses* and the renewed contract, the only remaining action would be to cease operations.

A general discussion ensued amongst the Councilmembers about the importance of the arts to a premier community, such as the City of Chesterfield, and that the quality of life and economic development in the City does improve through the actions of Chesterfield Arts.

Councilmember Flachsbart made a motion to recommend the purchase of the *San Marco II Horses* and renewal of the contract be discussed by the full City Council. The motion was seconded by Councilmember DeGroot. A voice vote was taken and the motion was passed 3-1, with Councilmember Casey voting against the motion.

4. <u>Discussion re: Opposition to Merger of St. Louis County and City of St. Louis</u>

Councilmember Flachsbart stated his position that, due to the current sales tax sharing policy of St. Louis County, any merger or unification effort with St. Louis City by St. Louis County should be opposed by the City of Chesterfield. He indicated it would be a significant drain on the City of Chesterfield's already precarious position with regard to pooled sales tax revenues.

Mr. Herring clarified that, as of June 30, 2014, there was no such proposal to directly oppose and that other municipalities who had passed similar resolutions had done so as general statements rather than opposing any specific plan that had been brought forward. Councilmember Flachsbart confirmed that this was his intention as well.

Councilmember Flachsbart motioned that staff should prepare a resolution similar to those already passed in other St. Louis County municipalities, opposing a merger of any kind with the City of St. Louis and St. Louis County. The motion was seconded by Councilmember DeGroot. A voice vote was taken and the motion was passed 3-1, with Councilmember Casey voting against the motion.

5. <u>Employee Compensation Analysis</u>

Mayor Nation outlined his desire to have Staff present the committee with information regarding employee compensation within the City. He voiced his concerns that the 3% pool of dollars provided for in the 2014 Budget, for merit-based salary adjustments, was perhaps too high. He expressed numerous additional concerns regarding pay/benefits for Chesterfield employees.

A general discussion ensued between Committee members, Mayor Nation, those additional Councilmembers in attendance and Mr. Herring regarding Council's policy of maintaining employee compensation levels in the Top 5 of all area municipalities. Several Councilmembers requested details regarding the City's current job titles and total number of employees and how the pay range for those job titles compares to other cities. Councilmember Flachsbart emphasized his commitment that City employees be placed among the TOP 5 of comparable cities in Metro St. Louis. Several Council members requested that the pay grade and merit plan system, previously adopted by City Council and currently in place, as recommended by CBIZ, a consulting firm specializing in compensation issues, be explained. It was requested that an analysis be done of the Consumer Price Index (CPI) over the past several years as it relates to the average percentage of wage increases, as well as an analysis comparing the pay ranges of our positions with those of comparable cities in the area. Additionally, it was requested that total salary/fringe, for the General and Parks Sales Tax Funds be evaluated, as a percentage of total expenditures, within those funds, over the past ten years.

Councilmember Flachsbart made a motion to request additional information from Staff to outline some of the key metrics discussed and as noted above, for future discussion by the Committee. Councilmember DeGroot seconded the motion. The Committee noted that this discussion may take several meetings and asked Mr. Herring to plan for a partial presentation, at the July 28 Committee meeting. A voice vote was taken, with a unanimous result, and the motion was approved.

6. Adjournment

There being no further business to discuss, Chairperson Grier adjourned the meeting at 7:25 p.m.