

## **MEMORANDUM**

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**TO:** Michael G. Herring, City Administrator  
**FROM:** Kelly L. Vaughn, Director of Finance and Administration  
**DATE:** March 22, 2010  
**SUBJECT:** Finance and Administration Committee Meeting

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The Finance and Administration Committee met on Monday, March 22, 2010. Those in attendance included: Chairperson Bruce Geiger, Ward II; Councilmember Matt Segal Ward I; Councilmember Randy Logan, Ward III; Councilmember Connie Fults, Ward IV; City Administrator Mike Herring; Assistant City Administrator for Community Services and Economic Development Libbey Malberg; and Director of Finance and Administration Kelly Vaughn. Those also in attendance included Councilmember Mike Casey, Ward III; Councilmember Bob Nation, Ward IV; and, Assistant Director of Finance and Administration Brian Whittle.

Chairperson Bruce Geiger called the meeting to order at 5:30 p.m.

Chairperson Bruce Geiger announced that, since this would be his last meeting as Chairperson, he wanted to express his THANKS to each member of the Committee, Kelly Vaughn, Brian Whittle, Libbey Malberg and Mr. Herring.

Councilmember Mike Casey commented that, as President Pro Tem, he would be submitting proposed Committee assignments, for approval at the 4/21 City Council meeting. Subject to City Council approval, his recommendations for the F&A Committee, from April, 2010 – April, 2011, would be: Chairperson: Councilmember Randy Logan, Ward III; Councilmember Matt Segal, Ward I; Councilmember Lee Erickson, Ward II; and, Councilmember Bob Nation, Ward IV.

### **1. Approval of Minutes—February 22, 2010**

Councilmember Logan motioned to approve the minutes from the February 22, 2010 meeting of this Committee. Councilmember Fults seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

### **2. Discussion Regarding FY2010 Financial Update**

Ms. Vaughn stated that so far, 2010 revenues are down compared to 2009 revenues. Sales tax revenue is down approximately 18% in the General Fund and 20% in both the Parks Sales Tax and Capital Improvement Sales Tax funds, when compared to last year. She said that she discussed the shortfall in sales tax revenue with her contact at the Missouri Department of Revenue. She believes that the shortfall is a timing issue with collections and that receipts will normalize after another month or two. She also pointed out that expenditures as a whole are below budget. She noted that the decrease in

expenditures is greater than the decrease in revenues. She said that the City has been cautious with spending, as directed by the City Administrator and that Department Heads will continue to limit spending, whenever possible.

Councilmember Logan asked why expenditures for Finance and Administration had increased significantly compared to last year. Ms. Vaughn replied that the increase is a result of the purchase of new court software, which is a one-time item. She stated that without that purchase, expenditures were less than in the prior year.

Councilmember Fults asked Ms. Vaughn why she thinks the timing of sales tax collections would make the decrease only 10%. Ms. Vaughn stated that she called the State immediately after receiving the revenue to inquire why it was down and the State said it was timing. Ms. Vaughn said she verified the State's assertion by analyzing the sales tax breakdown the City receives. Based on the analysis, Ms. Vaughn said it does appear that timing was an issue this month and the decrease of 20% would have been closer to a decrease of 10%, had all revenue been received in a timely manner. Additionally, Ms. Vaughn discussed the shortfall with peers at other Cities and found that they were in a similar situation.

Councilmember Fults noted that because of the timing issue, February receipts may appear abnormally high. She said that it would be helpful if Ms. Vaughn could prepare a report that only shows the February receipts received in April and not the January receipts received in April in order to make a better comparison.

Mr. Herring said that while it was too early to make any projections regarding revenues, he again pointed out that expenditures are below budget. He said this was a reflection of Staff's commitment to reduce expenditures, whenever possible.

Councilmember Nation asked what would happen if sales tax receipts end up down 15% this year. Mr. Herring stated that, in consultation with the Staff, he would prepare a list of cost-cutting measures for the Council to consider. He noted that, if receipts are down that dramatically, those suggested cuts could potentially lead to a reduction in services.

Councilmember Geiger stated that it was too early to make any type of projection of revenues. He stated that a discussion of possible cuts should wait until the City has a quarter of revenue. Councilmember Logan agreed and said that after a quarter of collections any timing issues should be resolved.

### **3. Fund Reserves Update**

Ms. Vaughn stated that there were no changes in the update.

#### **4. Debt Schedule for Review**

Councilmember Fults stated that the schedule was very helpful. Some Councilmembers noted that the City will have paid off the Parks 1998 General Obligation Bonds in 2015. They inquired if, at that point, the City will receive extra revenue that would have previously gone to debt payments. Ms. Vaughn stated that the property taxes collected for that bond can only be used to make payments on that debt issue, so the City will stop collecting the revenue after the debt is paid off.

#### **5. Discussion Regarding Sales Tax Holiday**

Mr. Herring pointed out that the City cannot opt out of the General Fund Sales Tax Holiday because that decision is controlled by the County. He said the City can only opt out of the “holiday”, regarding both the Parks and Capital Improvement Sales taxes. Councilmember Geiger asked when the decision must be made in order to meet the deadline for opting out. Ms. Vaughn stated that a decision needed to be made prior to the submission deadline of June 22, 2010. General discussion ensued. There appeared to be little support for opting-out of this year’s Sales Tax Holiday.

Councilmember Geiger said that this item should be added to the next month’s agenda, to enable the Committee to make a final decision.

#### **6. General Fund Revenue Analysis**

Mr. Herring complimented each of City’s Department Heads for their commitment to cost-containment, but indicated that there did not appear to be much more that could be cut, without affecting service provisions. Mr. Herring reiterated that the City continues to be in very good financial shape and that, until Staff has had several months to review/monitor the performance of the FY2010 Budget, there is certainly no need to take steps to “fix” anything. He also noted that General Fund Fund Reserves were still well above the City’s “40% policy”. Mr. Herring provided an analysis and explanation of several existing revenue sources. Discussion followed regarding the additional revenue that could be generated, if needed, with slight increases to existing rates. Mr. Herring pointed out the fact that Chesterfield’s total assessed valuation was the highest in St. Louis County. He stated that Staff is not recommending that this Committee consider ANY revenue increases. Rather, it was his intention simply to make sure this Committee was aware of its options, should existing revenues continue to lag behind projections.

Members of the Committee commended Mr. Herring for his proactive approach to this issue.

#### **7. Adjournment**

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:45 p.m.

