



RECORD OF PROCEEDING

**PUBLIC HEARING OF THE CITY COUNCIL
OF THE CITY OF CHESTERFIELD
690 CHESTERFIELD PARKWAY WEST**

DECEMBER 1, 2008

The meeting was called to order at 6:30 P.M.

A roll call was taken with the following results:

PRESENT

Mayor John Nations
Councilmember Barry Flachsbart
Councilmember Gene Schenberg
Councilmember Bruce Geiger
Councilmember Lee Erickson
Councilmember Dan Hurt
Councilmember Bob Nation
Councilmember Connie Fults

ABSENT

Councilmember Mike Casey

Mayor Nations recognized City Administrator Mike Herring who began his presentation by pointing out that Section 3 of Ordinance No. 10 requires the City Administrator to prepare and submit a budget for City Council to consider/adopt, prior to January 1 of each year. Section 4 of Ordinance No. 10 requires that a Public Hearing be held, prior to the adoption of the budget. Mr. Herring noted that his presentation would satisfy all requirements of Ordinance No. 10. He also stated that the FY2009 Budget reflected all decisions/changes made by the Mayor/City Council during the November 17th Budget Workshop.

Mr. Herring informed City Council that the City is in excellent financial shape, even with the uncertainties of the current economy. He noted that this proposed budget contains no

reduction in services. He noted that Staff's current projections, as of 12/31/08, indicate that total revenue projections will be 11.8% over budget, primarily due to the successful resolution of litigation with the wireless industry. Total FY2008 expenditures are projected to be 2.4% below budget.

Mr. Herring noted that as a result of several years of effort by the City of Chesterfield, in partnership with a consortium of other cities across Missouri, the City has actively pursued taxation of wireless phone company revenues. During FY2008, the City of Chesterfield received \$1,470,645 in back taxes from the wireless phone companies and monthly revenues totaling \$1,219,427.

Mr. Herring reported that the City is anticipating that General Fund revenues for FY2009 will total \$20,430,068. He stated that the City anticipates continued growth in utility tax revenues, which are projected to be 14.3% higher than the FY2008 budget. However, sales tax revenue is projected to be 9% below the FY2008 budget.

Mr. Herring reported that the City's total assessed valuation has increased to \$1,942,764,073, which is the highest of all cities in St. Louis County. However, he pointed out that the City's property tax rate is the second lowest of any taxing jurisdiction in St. Louis County, having been lowered by City Council, earlier this year, to \$.03/\$100. Mr. Herring noted that all property tax revenue is dedicated for debt service on a previous Parks bond issue and cannot be used to support the General Fund.

Mr. Herring confirmed that the proposed General Fund budget included just one new employee, an Equipment Maintenance Mechanic. As submitted, the FY2009 General Fund Budget will fund all necessary expenditures including "transfers out" while total fund reserves are projected to remain constant at \$14,476,434. He noted that total available fund reserves above and beyond the City's 40% policy are projected to increase by over \$750,000 by 12/31/09 to \$2,590,315, due to a reduction in total expenditures upon which the 40% policy is applied.

Mr. Herring highlighted the commitment by City Council to build Fund Reserves within the Parks Sales Tax Fund and to use the Fund Reserves to supplement bond proceeds and fund the construction of capital projects within the City's parks. Mr. Herring stated that revenues, within the Parks Sales Tax Fund are projected, as of 12/31/08, to be 5.2% below projections and expenditures were 10% below projections. Mr. Herring noted that, despite the fact that \$2.8 million was allocated for construction of a parks maintenance building, fund reserves will be reduced by only \$800,000.

Mr. Herring reported that the primary source of revenue for the Parks Sales Tax Fund is a $\frac{1}{2}$ percent sales tax, for which the City receives 100% of the revenues on a point-of-sale

basis. Mr. Herring stated that the City expects sales tax revenues to be relatively flat during FY2009, even though the \$6,213,049 projected as of 12/31/08 is 19.9% higher than 12/31/07 actual receipts, due primarily to the TIF closure that took place on 12/31/07. Mr. Herring stated that for FY2009 total revenues are projected to be 6% below the FY2008 budget. Expenditures within this balanced budget are projected to total just over \$7.3 million with “transfers out” totaling just over \$2.7 million, which includes \$1 million as debt service for Phase Two of the City’s Parks Plan, a \$16.5 million effort to fund capital projects within City parks.

Mr. Herring explained that the proposed FY2009 Budget for the Parks Sales Tax Fund includes funding for the addition of three full-time and two seasonal employees, funding for the placement of public art, funding for new equipment necessitated by the addition of new parks and the expansion of existing facilities, and funding for various capital construction projects, yet projects a positive unallocated fund balance.

In response to a question from Councilmember Flachsbart, Mr. Herring confirmed that the FY2009 Budget has been prepared with conservative projections and while some revenue sources are projected to be lower, during 2009, there will be NO reduction in current services.

Councilmember Schenberg inquired as to the amounts being “segregated”, within Fund Reserves for both the General Fund and the Parks Sales Tax Fund, for use in partially funding PHASE TWO of the Parks Plan. Mr. Herring confirmed that those amounts could be higher or lower, depending upon the amount of funds the City is able to acquire via bond funds. Based upon current estimates, regarding the amount of bond funds that can be generated, utilizing a debt service payment of \$1 million/year, those funds will be needed, in order to complete the entire \$16.5 million list of projects. Mr. Herring confirmed, however, that the expenditure of ANY of those “segregated” Fund Reserves would require City Council approval.

Councilmember Erickson asked how frequently the City receives the sales tax report. Mr. Herring responded that the City receives these reports monthly from the State and that there is a two-month lag time on these reports.

Councilmember Hurt stated he feels that Staff is sensitive to the state of the economy and would like to encourage the City to continue this practice. Mr. Hurt stated he feels comfortable that the General Fund budget has sufficient “wiggle room” for maneuvering based on what could happen in 2009. Mr. Hurt expressed his concerns about the Parks budget since it has less “wiggle room” it is much more dependent upon sales tax revenues. Mr. Hurt encouraged Mr. Herring to carefully monitor spending in 2009 and, if possible, to postpone expenditures until later in the year, when the City can determine that everything is going well. Mr. Herring assured Mr. Hurt that he has had meetings with Staff and has directed Department Heads to carefully monitor spending.

Councilmember Flachsbart asked Mr. Herring to comment on “Black Friday” sales. Mr. Herring noted that the City would not receive confirmation as to total sales, until January, 2009, but reports, nationally, were that total sales were UP, by approx. 3.2%. Original projections were that sales would be down, by 5-10%. Mr. Herring noted that Staff’s projections, for 12/31/08 total revenues, could be on the low side, if sales continue to be strong, during the holiday season. Councilmember Flachsbart stated that he feels that Staff has done a very good job with the preparation of this proposed budget and clearly understands the need to carefully monitor its performance, during 2009.

Mayor Nations commended Mr. Herring, Director of Finance and Administration Kelly Vaughn, each of the City’s Department Heads and City Council for their efforts during the entire budget preparation process. He stated that he is very proud of the City’s proven record of responsible fiscal management and its commitment to maintain a high level of quality services, for residents and businesses.

ADJOURNMENT

Mayor Nations adjourned the meeting at 6:55 p.m.

Mayor John Nations

ATTEST:

Judith A. Naggiar, City Clerk