



## **RECORD OF PROCEEDING**

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

**DECEMBER 1, 2014**

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Mayor Bob Nation called the Public Hearing to order at 6:35 p.m. Councilmembers Flachsbart, Greenwood, Grier, Grissom, Casey, Hurt and Fults were also in attendance, along with seven visitors/members of the Press.

Mayor Nation recognized City Administrator Mike Herring who expressed his appreciation for the honor and privilege of serving as City Administrator, a position he has held since July, 1988. He noted that the proposed FY2015 Budget was the 28<sup>th</sup> Budget that he has prepared, in his capacity as Chesterfield's City Administrator. Mr. Herring continued by explaining 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 FY2015 Budget reflects all decisions/changes made by the Mayor/City Council, during a Finance and Administration "Committee-of-the-Whole" budget workshop, which took place on November 17, as well as a special City Council meeting, held on Saturday, November 8.

Mr. Herring provided a performance summary of the FY2014 Capital Improvement Sales Tax Fund. Mr. Herring noted that, in conjunction with a \$30 million bond issue approved by the voters in 1996 for improvements to public rights-of-way, voters also approved a ½ cent sales tax for capital improvements. The Capital Improvement Sales Tax Fund is basically self-sufficient since it is funded from the ½ cent sales tax, approved in 1996, as Propositions "R" and "S." Mr. Herring stated that the City only receives 85% of the total money it gets from the ½ cent sales tax, due to a statutory requirement that the City "share" fifteen (15%) percent of the total with the St. Louis County sales tax pool. Mr. Herring reported that revenues in the Capital Improvement Sales Tax Fund are projected to total approximately \$8,774,820 (0.8% below budget) in FY2014. Expenditures are

expected to total approximately \$7,911,131 (13.0% below budget) in FY2014 and include numerous capital construction projects as well as debt service payments regarding the previously mentioned bond issue, which funded various capital construction projects Citywide. Current projections indicate that ending fund reserves at December 31, 2014 will be \$1,365,179. It should be noted that revenues for the months of October, November and December have not yet been received and could impact the ending fund balance. Transfers out for debt payments on Propositions “R” and “S” are projected to total approximately \$2,013,626.

Mr. Herring explained the impact of grant funds on the FY2014 Budget. Staff, at the request of City Council, is very aggressive in trying to acquire grant funds for major capital improvement projects. The City can obtain significant amounts of money, sometimes as much as 80%, funded by grants. The balance is then paid out of fund reserves. Staff has been very successful, with the support of Council, in acquiring a significant amount of grant funding over the years.

Regarding the proposed FY2015 Budget, Mr. Herring reported that revenues in the Capital Improvement Sales Tax Fund are projected to total approximately \$8,067,252, which includes \$6,365,462 in sales tax and \$1,701,790 in grant funds. Proposed expenditures for FY2015 are \$7,149,021 for capital projects and improvements.

Mr. Herring stated that the passage of Proposition” P”, in November 2004, resulted in the creation of a Parks Sales Tax Fund, which funds all parks and recreation activities. 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. One-sixth of all revenues generated come from City functions such as athletic field fees, aquatic center fees, concessions and amphitheater fees. The Parks Sales Tax Fund pays for things such as the Athletic Complex, Central Park, Family Aquatic Center and Eberwein Dog Park. It also pays for a number of other things such as right-of-way landscaping maintenance as well as maintenance of various pocket parks and repair or replacement of City limit signs as needed. Mr. Herring reported that revenues in the Parks Sales Tax Fund are projected to total approximately \$9,042,922 (0.4% above budget) in FY2014. 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. Mr. Herring stated that the City is anticipating the Parks Sales Tax Fund Fund Reserves will total \$2,766,329 as of December 31, 2014. The projected reserves are \$399,989 higher than the 40% Fund Reserve Policy established by the City Council.

Mr. Herring stated that sales taxes are projected to increase by 3.0% during FY2015 within the Parks Sales Tax Fund. Total revenue in the Parks Sales Tax Fund is projected to generate approximately \$9,349,033 during FY2015. Expenditures and transfers are projected to total \$8,828,232. Due to COPs refinancing, the Park Sales Tax Fund will save \$719,558 over the life of the debt - \$39,975 annually. The Parks Sales Tax Fund includes the addition of one new full-time position, a Recreation Specialist. A Recreation Manager position will be converted to a Parks Superintendent position to oversee Art and Entertainment. FY2015 capital expenditures in the Parks Sales Tax Fund are projected to

be \$432,600. Mr. Herring stated that the City is anticipating that Parks Sales Tax Fund Fund Reserves will total \$3,287,130, as of December 31, 2014.

Mr. Herring reported that the City is anticipating General Fund revenues for FY2014 will total \$21,635,078 (2.1% above budget). General Fund expenditures and transfers are projected to total \$19,041,645 and \$1,501,300, 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 \$2,222,979; 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 \$996,867. Note: A set-aside of Fund Reserves to cover a debt service payment, scheduled for FY2015 and funding of a partial conversion of our Public Works fleet were both approved by City Council at the November 17 Budget Workshop. Designating funds for a debt service payment will have the ultimate effect of enabling City Council to eliminate the City's \$.03/\$100 property tax rate in 2015.

Mr. Herring reported that the two major sources of General Fund revenues are utility taxes and sales taxes, which represent 35.0% and 31.6% respectively. Mr. Herring reported that General Fund revenues are projected to total \$21,866,718 for FY2015, which includes \$7,651,022 (35.0%) in utility tax, \$6,911,844 (31.6%) in sales tax, and \$4,196,193 (19.2%) in intergovernmental revenues. The remaining revenue is made up of licenses and permits (7.2%), court receipts (5.7%), and other miscellaneous sources (1.3%).

Mr. Herring reported that General Fund expenditures are projected to total \$20,219,416 for FY2015. Mr. Herring stated that 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 \$9,606,474, represents 47.5% of the budget and the Public Services budget, at \$7,066,987, represents 35.0% 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.

Mr. Herring stated that the City maintains General Fund - Fund Reserves of over 40% of the City's operating budget. The General Fund - Fund Reserves balance is projected to increase by \$183,964, to \$13,125,348 as of December 31, 2015 and, when factoring in the amount required to be set-aside, due to the City's "40%" policy, as well as \$1,288,836 which has previously been encumbered for specific purposes, leaves \$3,140,170 available to fund additional projects, as reviewed/approved by City Council, during FY2015 and beyond.

Councilmember Grier complimented the entire Management Team and Mr. Herring for the professional manner with which the City is run and for their commitment to sound fiscal principles in the preparation and management of the City's Annual Operating

Budget. Councilmember Grier also recognized Finance Director Craig White and the entire Finance Department for receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association and noted that Chesterfield is the only city in Missouri to obtain a Aaa bond rating, from Moody's. Mr. Herring expressed his appreciation to the members of the Management Team, and specifically Finance Director Craig White, for their time and effort during the entire budget preparation process.

Mayor Nation thanked City Administrator Mike Herring, Finance Director Craig White, and the members of the Management Team for their hard work on the budget. He stated that we enjoy a strong financial posture, due in large part to staff efforts to live within our means, and Council oversight to ensure that the taxpayer dollars are spent prudently.

Mayor Nation continued by stating that, while generally he is in agreement and supportive of the proposed budget, there are four items he will either be returning for reconsideration or vetoing in accordance with the powers granted him by the revised statutes. The four line items are as follows: the amount budgeted for employee salary increases (reduce from 3% to 2.5%), the amount budgeted for employee holiday gift certificates (reduce from \$200 per employee to no more than \$125 per employee), the amount budgeted for hiring of two additional Police Officers as School Resource Officers (requested more information validating the need for more police officers), and the amount budgeted for hiring and promotion of personnel for arts management (wants to rectify the current situation where an outside organization owns artwork that is located on City property, before providing any significant continued support for arts promotion).

### **ADJOURNMENT**

There being no public discussion or comment, Mayor Nation adjourned the meeting at 7:07 p.m.

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Mayor Bob Nation

**ATTEST:**

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Vickie J. Hass, City Clerk