

CITY COUNCIL WORKSHOP

JUNE 28, 2016

Those in attendance included: Mayor Bob Nation, Councilmember Barry Flachsbart, Ward I; Councilmember Barbara McGuinness; Councilmember Guy Tilman, Ward II; Councilmember Randy Logan, Ward III; Councilmember Dan Hurt, Ward III; Councilmember Tom DeCampi, Ward IV; Co-Interim City Administrator Mike Geisel; Finance Director Craig White; Community Services/Economic Development Director Libbey Tucker, Information Technology Director Matt Haug and Interim City Attorney Chris Graville. Those also in attendance included: Co-Interim City Administrator/Chief of Police Ray Johnson, Community Services/Economic Development Director Libbey Tucker, Public Works Director Jim Eckrich, Parks, Recreation, & Arts Director Tom McCarthy, Planning and Development Services Director Aimee Nassif, Executive Secretary-Planning Assistant Mary Ann Madden, Management Analyst James Mello Jr and 1 member of the public.

OPENING REMARKS

The information is from 2008 to present because the City began using Logos in 2008 and data was available starting at that time. The numbers shown for 2015 are actual numbers.

The City works on an accrual basis. There are 17 different accounts that need to be monitored

SLIDE PRESENTATION:

SLIDE 2: GENERAL FUND

- Brief explanation of what accrual basis accounting is and an overview of the 17 funds.

SLIDE 3: GENERAL FUND

SLIDE 4: GENERAL FUND REVENUES

- Eight years ago, the City was averaging \$500,000+ per year on return on investments; now it's about \$50,000-\$60,000 per year because of the economic environment and the State's investment policy.
- Currently no property tax in Chesterfield. The only property tax we had was retired early in 2014 as a result of the first bond issue for Parks.

SLIDE 5: GENERAL FUND – BUDGET DETAILS 2015

- The 2015 revenue shows a loss of 6.1% since 2008 - \$1.4 million.
- Expenses have increased \$585,000 since 2008.

Tilman: Of the revenue coming in, how much does the City control vs how much does the County control vs how does the State control vs how much do the Utilities control?

MOG: Do you mean what is the source vs control? There is no control.

Tilman: Sales tax rate is voted on by who?

MOG: By the people

Logan: Because of utility taxes, the City's revenue benefits from hot summers and cold winters

SLIDE 6: GENERAL FUND REVENUES – 2008-2015

- Utility taxes have dropped almost \$1 million since 2008.
- Sales taxes are increasing.

Logan: Do we collect a telephone tax on Charter telephones – or cable tv?

CW: Cable is separate from telephone. Telephone tax has dropped dramatically because of everyone moving to cell phones and abandoning landlines. The plans are sold as a data plan, not as a phone service so they found a loop hole to get around paying the phone tax.

MOG: If it's a landline, we collect it. We are in litigation because of the utility tax-related funds.

McGuinness: Are the utility taxes directly related to the cell phone business? Is that where the loss is?

MOG: The vast majority of it is.

SLIDES 7 & 8: UTILITY TAX REVENUES

- Electric has gone up 54% due to hot summers.
- Telephone has dropped dramatically decreasing over \$2 million.
- Water and gas are relatively constant

SLIDE 9: OBLIGATED FUNDS

- Road and Bridge Revenues \$3.63 Million

Mayor: Can you say we receive that from the state, is that not associated with the 10 ½ cents per \$100 assessment value collected by the County with the property tax?

CW: The road and bridge tax is apportioned to the City from the County – I don't know the exact rate.

MOG: We get that money and are obligated to spend it for that purpose.

Flachsbart: We spend more on road and bridges - right?

MOG: Out of the General Fund.

SLIDE 10: GENERAL FUND - EXPENDITURES BY DEPARTMENT

- Since 2007, Police expenditures increased 22.6%.
- Streets decreased by \$252,000 since 2007.

Logan: Is that decrease the average for Streets Division or the number from 2007 to 2015?

MOG: That's actually an average of the annual

SLIDE 11: GENERAL FUND - EXPENDITURES - LARGEST COST CENTERS

- Public Services decreased 26% from 2010
- Police increased 11.5% from 2010

SLIDE 12: GENERAL FUND - POLICE DEPARTMENT

- The labor portion of budget increased since 2007
- Since 2007, discretionary expenses have decreased \$62,000.

Hurt: Is the decrease in expenses correlated to the head count?

MOG: Head count didn't go down.

McGuinness: When was downsizing?

MOG: 2010-2011

SLIDE 13: GENERAL FUND - PUBLIC SERVICES DEPARTMENT

- Since 2007, expenses decreased almost 11%.
- Personnel costs, between 2007-2015, have increased in raw numbers.
- Ten positions less than in 2007.
- When we budget, there are 4 categories- **Personnel-related expenses, contractual services, commodities, and capital.** We track the expenditures in each of those categories.
- Capital expenses have decreased from \$2 million to \$133 thousand out of the General Fund

Tilman: Are you going to talk about how to manage that money?

MOG: I hope we do, not necessarily tonight.

SLIDE 14: GENERAL FUND – ADMINISTRATION

- 2015 expenses - \$380,000 – 1.6% average annual increase
- Labor is up \$265,000 since 2007 – 18% overall
- 2.5 positions less than 2007
- 1.5 positions less than 2010

SLIDE 15: PARKS FUND – PARKS DEPARTMENT

- Not General Fund
- 37.4% overall increase in sales tax revenues since 2007
- Total revenues increased 36% during same time
- Internal revenues generated \$1.8 million – 63% overall increase

SLIDE 16: GENERAL FUND - BUDGET DETAILS – 2015

- Expenses exceed revenues by a significant amount
- Council funded a lot of one-time projects from the General Fund - Fund Reserves over the 40% policy.

SLIDE 17: GENERAL FUND - BUDGET DETAILS – WITH 2016 DATA

- Budgeted expenses are less than budgeted revenues

Hurt: Are expectations met for first half of year?

MOG: Yes – we are a little below expenditure projections

SLIDE 18: UPCOMING CAPITAL NEEDS MEMO

- There is an ongoing list of projects that are coming down the road – they need to be prioritized.
- This could be a task for F&A Committee.

SLIDE 19: 2015 PROJECTS FUNDED FROM GENERAL FUND - FUND RESERVE

- Last year, \$3 million worth of projects were funded
- Emerald Ash project will be an ongoing project that will be decided upon every year

SLIDES 20-24: SIGNIFICANT CAPITAL PROJECTS/HERE OR ON THE HORIZON

- Needs and wishes that have come up over the years.
- Decisions should not be made without knowing the full impact of where we're at.
- Comp Plan and Traffic Model need to be updated.
- Street reconstruction is underfunded
- Facilities is a huge expense – PWF is 20 years old
- Decision needs to be made on Doorack property.
- All card readers are outdated for building security
- Parking lots will need to be treated.
- Recreation - Riparian Trail connectivity, Railroad Park, Pathway on the Parkway near Brandywine, WHCR sidewalk extension, etc.
- Roads – Street reconstruction, Schoettler Road needs to happen, Baxter Rd extension, Hog Hollow and West Drive are in bad conditions
- All of the items on the list will have to be looked at individually

Tilman: Why is the Comprehensive Plan a capital project?

MOG: Not a capital item – it's a big ticket item at about a \$300,000 expense.

McGuinness: How much did you spend for snow removal?

MOG: Budgeting \$160,000 - the Planning and Public Works Committee is talking about expanding it but we don't know to what degree.

McGuinness: What is document management system?

MOG: A virtual file cabinet that is used within our file structure so you can identify and retrieve documents so there aren't multiple versions and multiple copies that eat up your storage. This is about \$100,000 expense.

McGuinness: Why aren't there estimates for these items?

MOG: Because there has not been an authorization to do preliminary engineering.

Tilman: So what is the financial process for a project? Is it capitalized over a number of years or do you expense the whole thing in the year that it is worked?

MOG: With the accrual method, we expense it when we incur the obligation because we don't depreciate. We also don't depreciate vehicles because we don't have the tax benefits to depreciate.

CW: Within the Financial Statements, there is a full accrual basis of accounting and for the purposes of those secondary financial statements, we track all fixed assets such as vehicles and depreciate them over the life. In terms of the accounting numbers used for budgetary purposes, that is known as a modified accrual basis – which is what we operate on and what we report to you when we provide financial updates. The key distinction between full accrual and modified accrual is that capital expenses are expensed when incurred rather than depreciated over the life of the asset. Debt issuances are expensed when paid.

Tilman: So did we take on any obligation on capital investments in part when we took on the Parks, Recreation, & Arts Program?

MOG: Yes.

Tilman: How much do we allocate to General Funds, to Capital Improvement, to Parks for these projects and how do get our head around all these buckets?

CW: In determining those buckets, it is really defined by the revenue associated with each fund. In terms of the Parks & Arts Fund, that's determined by the Parks Sales Tax.

MOG: It's not a Parks & Arts Fund – it's a Parks Fund and Council has elected that Parks, Recreation & Arts were funded out of that – that activity is fully funded out of the Parks Fund.

Tilman: Are we replacing Dump Trucks or Squad Cars General Fund Expenditures? What is the process?

MOG: We have a capital asset replacement schedule. All of the assets have different life spans and we try to space out the capital replacements over a 20 year time table.

SLIDE 25: GENERAL FUND – FUND RESERVE STATEMENT

- In 2016, we're going to spend more than we take in by \$1.6 million.
- We are projecting to have \$2.5 million above 40% reserve policy at the end of FY 2016

SLIDES 26 - 28: GENERAL FUND – ACCOUNTS OVER \$100,000

- Accounts in the budget for this year over \$100,000 – big ticket items

SLIDES 29 - 37: PARKS SALES TAX FUND - PROP P

- Spending \$334,655 more than we're taking in
- \$75,000 over the 40% requirement policy

CW: The Parks Fund 40% requirement is not an official city policy – but we've adopted this procedure to monitor that particular fund.

Tilman: Is there a forecast for those revenues as we develop our Parks system? How are we doing?

MOG: Yes. We're doing slightly better but we're doing much better when you include the internal generated rates, we did not anticipate that.

McGuinness: Are there some things that started off in the General Fund that have been moved to other Funds?

MOG: The way this City has done accounting for the last 15 or so years is we do not develop fully burdened accounts. Since 2015, we started allocating Parks related expenditures from the General Fund to the Parks Fund in order to make the General Fund budget balance. We moved what were previously General Fund expenses over to Parks - to allocate expenses that are incurred by Parks, we allocated those to Parks. Such as pro rata expenses for Parks for City insurance premium and fuel and vehicle.

DeCampi: How much revenue do we collect from the pool?

MOG: It is on the monthly report, I don't have that number but the pool is definitely a net loss.

SLIDE 38: PARKS FUND – LABOR EXPENSE

- Full-time labor vs Seasonal labor – becoming more and more reliant on seasonal labor.
- Labor costs have gone up, and seasonal labor can roughly correlate to revenue generation.

SLIDE 39: CAPITAL IMPROVEMENT SALES TAX FUND – PROP R

- Council decided to limit what these funds would be used for.

SLIDE 40: CAPITAL IMPROVEMENT PROJECTS

- Spending \$3.1 million/year to reconstruct 3.8 miles

- Optimistic goal of 30 year life for roads
- Need to replace 5.9 miles/year to maintain anticipated deterioration at \$4.81 million/year
- Good news is that price for street reconstruction has come down – but short \$1.7 million annually just to stay steady.

McGuinness: In 1988, County used to collect impact fees when they built a new street. Did we lose those impact fees to the county or do they come to us?

MOG: No, they don't come to us but there are various trust funds in the County that as development occurs, developers pay into a trust fund and those monies collected in those trust funds are spent within the trust fund districts.

McGuinness: Who monitors that?

MOG: We monitor it regularly, we are one of the few cities who do that so we can make sure the money stays in Chesterfield.

SLIDE 41: PROPOSITION P ORIGINAL PLAN

- Noted typo, FY 2000 was omitted

SLIDE 42: CAPITAL PROJECTS FUND

- Sufficient funds generated by Sales Tax to maintain our streets

SLIDE 43: CAPITAL FUND

- Since 2010, there has been a conscious decision to migrate purchases for vehicles/equipment/building improvements from General Fund to the Capital Projects Fund.
- Has increased almost 2000% since 2010.
- Going up to 2004, the General Fund became distressed which is why we went to voters for ½ cent sales tax for Parks.

Logan: Are you saying the original budget was for those items to stay in the General Fund?

MOG: The only thing that was changed, as was planned and strategized, to spend it on street reconstruction. Didn't charge personnel - we had project managers funded by the General Fund. Testing and all things related to the contract were charged to the Capital Trust Fund.

SLIDE 44: CAPITAL IMPROVEMENT – SALES TAX FUND - HISTORY OF ACTUAL EXPENSES

SLIDE 45: CAPITAL FUND INSIGHTS

SLIDES 46 - 48: GENERAL FUND EXPENSES

- Vast majority of expenses are on personnel
- Capital has decreased at the expense of labor
- Contractual and Commodities has stayed relatively the same for the last 9 years.

SLIDE 49: HEADCOUNT BY FUNCTIONAL DEPARTMENT – SINCE 2008

- Police Dept. – 4 more than in 2008, went down in 2010, but back in 2016 with +4
- Public Services – down 8
- Parks – up 8
- Admin – down 2.5

- Capital projects – up .5

Mayor: Didn't we add eight police officers when the outlet malls came along?

MOG: Yes, we did and we added two resource officers.

Mayor: How does that add up to net zero

MOG: You're not net zero, you are plus four. You went down 6 officers that were reduced in 2010.

You had 98 in 2008, down to 92, and since that time you've built back up to 102. Every one of those heads were reviewed and approved by Council and included in the budget.

Hurt: The Chief and I were just talking, it was seven not six, there were also two frozen positions that you didn't account for so we were trying to get back to full staffing.

MOG: There was a grand total of 23 positions eliminated.

SLIDE 50: TOTAL COMPENSATION

- Categories divided into State & local government; and Private industry
- We were able to take our payroll data over past several years and come up with an hourly wage and benefits. Then compared to State & local government and Private industry.
- We noted that the trends are across the board – right in line with both categories.

Mayor: If we continue to throw 3% for merit increases, what I'm concerned about is it's going to contribute to creating an obligation in salaries, benefits and retirement over the long term that we will have a hard time meeting.

Mayor: CPI is the most applicable and appropriate measure when trying to get guidance for how much to allocate towards salary.

MOG: We are comparing growth of wages and benefits for three groups of people, whether or not you like the rate of increase, is a separate discussion.

Tilman: When you look at a salary position - does each of those have a range so when a person hires on and is in the same position for 25 years, are they leveled out?

MOG: Yes, it's frozen. Council policy is every year they review the CPI from the prior year because there are no cost of living increases in Chesterfield, every compensation increase is merit based. If there is a CPI adjustment, the entire pay range is adjusted on January 1st.

SLIDE 51: HOURLY WAGES & SALARIES

- Chart shows a trend – not a comparative standard

SLIDE 52: BENEFITS

- Spiked in 2010 because there was a work force reduction and severance was paid to former employees and severance is counted as a benefit because it's time paid for hours not worked.

SLIDE 53: OVERTIME BY DIVISION

- Significant portion of this is offset by revenues
- Police Dept. gets a big portion of overtime offset by DWI checkpoint grants
- Parks has revenues coming in for rentals and we hire off-duty police and those charges are charged to the rental user.

Hurt: Do you have a way of tracking overtime and how it is reimbursed?

CW: We can – but have not tracked to that degree.

Mayor: Difference between overtime and moonlighting. If officers are working off-duty and being paid by an outside vendor – I question if this is overtime or moonlighting.

MOG: Chief schedules the overtime but City gets reimbursed for the overtime paid.

Hurt: If it's moonlighting, the officer is not using a City vehicle

Chief: When officers work for private vendors – totally separate from Police Dept. – we don't become involved in that. That is moonlighting. If we contract with a vendor for police, the City pays the overtime rate but we get the same amount reimbursed to the City to offset that cost.

SLIDE 54: LABOR EXPENSE ALL FUNDS

SLIDE 55: DEBT MANAGEMENT

- Assessed valuation of \$1.87 billion
- Legal debt limit is \$187 million
- Current debt is \$7.34 million

SLIDE 56: DEBT SERVICE – PRINCIPAL & INTEREST

- Capital Service Debt retires in 2019 – does not represent a windfall
- If this funding is not used for streets, plan for future debt
- City hall debt retires in 2022 – this is a windfall – but building will need repairs
- Parks debt steadily increases thru 2015 – sometime in the next 9 years, annual expenditures will be \$973,022 to maintain current programs
- Nothing can be added that requires manpower, more maintenance, etc. without adding revenues.

Discussion that the bad years will be 2020 thru 2022 but better after 2025.

McGuinness: Do you have a personnel list?

MOG: New personnel is off the table unless there is offsetting revenue.

Logan: Have we looked at restructuring the parks debt?

MOG: Yes – we just refinanced it.

SLIDE 57: SALES TAXES REVENUES GENERATED BY THE COC

- The community generates \$95 million in sales tax to others – does not include TDD
- \$60 million to state agencies

Tilman: Asked for information on what is voted on vs. what is mandated by State or County.

SLIDE 58: PROPERTY TAXES GENERATED BY THE COC

- \$148 million in property taxes
- City is the economic engine for the area and we have economic issues

Hurt: Suggested that this information be provided to the residents through a newsletter

Tilman: Asked for same information as for Sales Tax

SLIDE 59: PROPERTY TAXES FOR \$300,000 HOME IN CHESTERFIELD

SLIDE 60: ASSESSED VALUATION COMPARISON

- Chesterfield has assessed valuation of \$1,870 billion – almost \$1 billion over closest rival

Flachsbart: How much revenue does Maryland Heights get from casinos?

MOG: About \$1 million/month.

SLIDE 61: MUNICIPAL PROPERTY TAX RATES

SLIDE 62: \$.25 PROPERTY TAX

- 25 cent property tax would generate about \$4.6 million
- Residents pay about \$3.6 million per year for trash collection
- There could be different tax rate for residential vs commercial – and could have one or the other.

SLIDES 63 - 67: CONCLUSIONS

- Revenue and Expenses have decreased from 2008
- Total labor expenses have increased 3.7% since 2007 and includes impact of force reduction and parks expansion related to Prop P
- Biggest driver of labor cost is the head count.
- F&A Committee should maintain a list of big ticket items for future funding
- City has no excess annual operating revenues to fund new or expanded programs unless they are revenue positive or offset by existing funded programs.
- Transfers of expenses from General Fund to Capital Projects and Parks Fund are not sustainable going forward.

Discussion about telephone taxes:

- City is in a class action lawsuit.
- Companies say that data portion of cell phone usage is not a phone so we are not receiving tax on that.
- Telecommunications lobby is very strong
- Flachsbart suggests that all State legislatures know how much City contributes to State funds

Discussion about head count:

- Mayor noted that Wildwood contracts out for services.
- City has to wrestle with what level of service they want to provide.

Discussion about Parks Prop and voters – voters think they are funding parks and City should not transfer expenses to Parks Fund – would be contrary to what voters were told.

Flachsbart asked for a list of all things that are transferred - that are not strictly street construction and are transferred there – all the things that are not strictly Parks that are transferred there. And how closely they align with the purpose of that Fund. Give to F&A Committee. Need to know what is being charged against it and the rationale for it.

QUESTIONS/DISCUSSIONS AFTER PRESENTATION

DeCampi: I have a question about **labor**. I know right now everyone is at peak season but is there a point between December and March that some people on the payroll aren't as busy?

MOG: Parks does a lot of work in the off-season to get things ready for the peak time. We have developed a labor force that allows some overlap to be able to be cross-trained and shared so we try to shave the peak off of things. We are not staffed to handle peak load anywhere. I don't know if there is a time that we really have excess capacity. In the winter, street department can't take vacation because of snow removal, summer is peak time for construction so engineers and project managers have to be there. So the nature of the job drives what level may be at work at any given day. It is a challenge to give people

the time off they have. Pointed out that we have a significantly fewer people in the street department now than we did in 1997. We are able to offset the workload because we have Parks people to help and have gotten better at what we do.

McGuinness: Asked for information about **headcount** in 1996 compared to now.

MOG: Currently have 242 – do not have numbers for 1996 but substantially less.

McGuinness: So is our mission to figure out how to **cut this budget**?

MOG: If you cut 20 key positions, it is going to impact service. We don't have redundancy in positions – when someone is out, it either doesn't get done or it waits. Discussion of how going from 6 planners to 4 has affected workload and how the department was not allowed longer turn-around times for processing applications and permits. What level of service do you want to provide?

Tilman: What is the plan, **what information will we have available to us and by when**, so we can decide how we want to evaluate these services?

MOG: We have an F&A meeting on July 18th and that is the discussion we have to have. The first decision you have to make is telling Staff which level of information you want (choice of two options – line item budget versus summarized budget document). In 2004, Council made the decision to have account level information.

Logan: Can you produce an **annual General Ledger Report by Account**? What would it tell us that we don't see now - just actual individual expenditures as they were logged in?

CW: You would see accounts over \$100,000.

Mayor: Any **suggestions on how we would provide greater detail** like Barb wants? Divide that up into departments and have different committees review different departments?

MOG: There has to be a global budget review. I would suggest we give you a preliminary budget and you identify those areas of concern and we either justify them or they come out.

Mayor: As elected representatives, we have an **obligation to look more closely at the taxpayer dollars and expenditures**. But whether it is realistic and called for to go down to the nth degree, maybe there is some intermediate level that gives us a legitimate feel for where our dollars are going.

MOG: I'm pretty confident the budget will stand up well to scrutiny. I think the problem I feel from your side is that you have been denied access to detailed information. **It needs to be provided to you ahead of time so you can object to it in sufficient time to reasonably impact the budget approval.**

Tilman: **Big List would be helpful and could be prioritized by F&A Committee** as to what needs to be approved or not approved. Use that as a guide.

It would also be helpful if you take your Delta and went to your department heads and said we know you are going to turn in a Proforma Budget, based on your assumptions for next year, to help us get to close that \$2 million gap, **what are your thoughts if you had to apply a 10% reduction for your department**. Tell us what that would mean in each department.

McGuinness: It is incredibly important to have as much detail as we can. We are not bound, except contractually where we are, by past Councils' activity or actions.

Flachsbart: The **entire Council has to prioritize the Big List.**

Hurt: Looks like we lost the chance for a **5-year budget** for this year, I'd like to get this back by next year.

MOG: One of the problems I think with the concept of the 5-year plan, is that they budgeted out revenues and they budgeted out expenses and you overestimate expenses and underestimate revenues to try to be conservative. I think what should be done is you put out your 2% growth but you reduce it by a backdrop of historical relevance.

Hurt: The important part of that is the **debt service impact.**

Logan: It's both the debt service and we as a Council have to start planning for what **level of service we want to provide for the next 5 years.** Need to provide **specific goals for the next 5 years.**

MOG: We have an **unhealthy reliance on sales tax revenue.**

CW: We will put the **5-year plan on the F&A Committee agenda.**

McGuinness: Where is the house bill in terms of

MOG: Still waiting. It's \$230,000, it really doesn't impact a whole lot.