

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Brian Whittle, Finance Director *BW*
DATE: November 20, 2012
SUBJECT: Budget Workshop / Proposed 2013 Budget

The Finance and Administration Committee met on Monday, November 19, 2012. Those in attendance included: Mayor Bruce Geiger; Chairperson Matt Segal, Ward I; Councilmember Elliot Grissom, Ward II; Councilmember Randy Logan, Ward III; Councilmember Connie Fults, Ward IV; Councilmember Barry Flachsbart, Ward I; Councilmember Bob Nation, Ward IV; Councilmember Mike Casey, Ward III; and Councilmember Derek Grier, Ward II. Those also in attendance included City Attorney Rob Heggie; City Administrator Mike Herring; Director of Finance Brian Whittle; Police Chief Ray Johnson; Police Captains Ed Nestor & Steve Lewis; Community Services and Economic Development Director Libbey Tucker; Director of Public Services Mike Geisel; Management Analyst/Assistant to the City Administrator Kris Simpson; and several members of the general public.

Chairperson Matt Segal called the meeting to order at 5:15 p.m.

1. Fiscal Year 2013 Budget Presentation

Mr. Herring began his presentation by thanking all members of the City's Management Team for all the hard work they have put into the proposed FY2013 budget. He noted that he had met, specifically, with Mayor Geiger, F&A Committee Chairperson Matt Segal and various other members of City Council, since the proposed budget was distributed, on October 23. He then reviewed the City's Mission Statement, noting that it is still an accurate reflection of the City's values and served as a strong guide, during the preparation of the proposed budget.

Mr. Herring's budget presentation began with a review of FY2012 for the Capital Improvements Sales Tax Fund. He noted that the amended budget forecasted a decrease of \$347,335 in Fund Reserves within this Fund; however, Staff now projects the decrease to actually be just \$286,184, representing a savings of \$61,151. He stated that revenues are expected to finish 3% above budget, while expenditures will finish 2.5% above budget. As of 12/31/12, fund reserves for the Capital Improvements Sales Tax Fund are projected to be \$339,443. Mr. Herring then summarized all of the expenditures made during FY2012, from this Fund.

Next, Mr. Herring reviewed FY2012 for the Parks Sales Tax Fund. He noted that the amended budget forecasted a decrease of \$1,161,729 to fund reserves; however, the Staff is now projecting the decrease to actually be \$863,163, representing a savings of

\$298,566. He discussed each of the expenditures authorized by City Council, from Fund Reserves. He noted that sales taxes are projected to finish \$72,919 higher than budgeted, despite the loss in sales tax revenue from out-of-state vehicle sales. Additionally, field rentals, concessions, pool revenues, and other charges are projected to finish \$155,698 (13.2%) higher than budgeted.

After that Mr. Herring presented the FY2012 review for the General Fund. He stated that the Amended budget would have reduced fund reserves by \$1,073,562, however due to budget performance fund reserves are actually projected to be reduced by just \$657,921. He noted that revenues are expected to finish 0.2% (\$42,561) above budget, and expenditures are on track to finish 1.9% (\$373,041) below budget. He commented that the City had no control over revenues and it made forecasting those revenues a critical part of the budgeting process. He commended Finance Director Brian Whittle for his help in making this year's revenue projections. Mr. Herring then covered General Fund revenue sources, noting that utility taxes make up the largest portion of our revenues (35.1%), followed by sales tax revenues (29.6%). Next, Mr. Herring discussed General Fund expenditures, stating that the City's largest expenditures come from the departments of Police (43.2%) and Public Services (37.3%). He stated that this is appropriate, since these two Departments provide the vast majority of all City services. Lastly, Mr. Herring covered Chesterfield's assessed valuation. He noted that during the "economic downturn" the City's assessed valuation only fell by 8.4%, which is positive as compared to how other cities fared during the past four years. He noted that in 2012 Chesterfield's assessed valuation only fell by 0.1%, and that as the economy improves, he hopes that we see an increase in 2013, which is a reassessment year.

Mr. Herring then briefly reviewed a history of the major events in Chesterfield, leading to the City's present situation. The major events were: 1) The flood of 1993 and the establishment and subsequent development of the Valley TIF district. 2) The passage of Proposition R & S in 1996. 3) The economic challenges faced in the wake of 9/11/2001. 4) The passage of Proposition P. 5) The settlement with the Cell Phone companies in 2008-2009, and 6) the Economic Downturn and Right-Sizing in 2010.

The next portion of the presentation addressed the proposed budget for 2013's Capital Improvements Sales Tax Fund. Mr. Herring stated that revenues are projected to be \$5,416,604 and expenditures and transfers will be \$5,438,009. This will reduce the fund balance from \$339,443 to \$318,038 during 2013. He noted that, with this fund, the goal is to spend most, if not all, available dollars each fiscal year on infrastructure improvements. He applauded the Council for allowing the City's staff to spend the money where it was needed most, rather than mandating that it be split evenly between the four wards. He also stated that while sales tax revenues are projected to increase by just 3% next year, these projections do not include any additional sales tax revenues that might result from new sales tax generators coming online during 2013.

Mr. Herring then moved on to the proposed budget for the 2013 Parks Sales Tax Fund. Revenues are expected to decrease by just 0.1% in 2013, due to three grants that were received in 2012 that are not available in 2013. Expenses are budgeted to decrease by

7.5% from 2012. The 2013 budget includes the addition of three new full-time employees. For 2013, Parks Sales Tax Fund Reserves are expected to increase by \$223,139 over the 40% policy.

Finally, Mr. Herring presented the proposed 2013 General Fund budget. He stated that revenues are projected to be \$20,901,911, a 1% increase over 2012 projections. The bulk of this growth is expected to come from both utility and sales taxes. He noted, again, that these projections do not include any revenues generated by new developments coming online in 2013. Total expenditures are forecasted to increase by \$152,626 compared to 12/31/2012 levels, a 0.8% rise. As a result, total revenues are projected to exceed total expenditures by \$200,001. He stated that the proposed budget includes several new employees, including two new police officers. He noted that the General Fund Fund Reserves balance as of 12/31/2013 is projected to be \$13,609,995.

2. Annual Contribution Level to Arts

Following the presentation, a question arose regarding the City's contribution to Chesterfield Arts, which is to increase by \$25,000. Mayor Geiger stated that it was his wish to see the City contribute a certain amount to cultural programs or the arts every year, and that the City currently contributes just a fraction of a percent of its total budget. He noted that the proposed budget also includes \$25,000 for the St. Louis Civic Orchestra.

A general discussion followed, and it was decided the issue will be taken up at a future meeting of the Finance and Administration Committee.

3. Establishment of a Tourism Program

Mayor Geiger then discussed his wish for the Council to amend the budget by \$50,000 to contract with an individual who would establish a tourism program in Chesterfield. This would be a joint-venture with the Chesterfield Chamber of Commerce, which would ultimately operate this program, once established.

After a short discussion, Mayor Geiger asked Libbey Tucker, Community Services and Economic Development Director, to make a brief presentation of the proposal. She stated that Mr. David Rosenwasser had been recommended by many of those within the state Tourism organization. His program is to establish a tourism bureau for a community and then turn it over to the community within three years. She discussed the individual's qualifications, and stated that he presented before the joint committee with the Chamber and they agreed they would like to enter into an agreement with Bureau in a Box (BIB). The City would initially contract with BIB for \$28,000, for the first year for a set listing of expectations. Additionally, the costs for printing, advertising and other promotional materials would be split with the Chamber of Commerce. The City's limit for these additional start-up expenses would be ½ of \$22,000, or a total budget allocation of \$50,000.. The Chamber has committed to \$12,500, as its share for these expenses. After the tourism program is established, any future expenses for consulting and

materials would be paid for by the Chamber of Commerce utilizing funds generating by establishing memberships to the Tourism Bureau.

Councilmember Flachsbart made a motion to approve the budget amendment. Councilmember Segal amended the amount by \$1, or a total of \$50,001. The motion was then amended by Councilmember Flachsbart and seconded by Councilmember Segal.

There was some discussion as to whether the City should issue a Request for Proposals to identify whether other entities might offer such a service. Mr. Herring stated that Mr. Rosenwasser has established his business as a niche and that there were no other businesses offering this specific type of turnkey service. Councilmember Logan expressed that he would like to make sure that there was nobody else offering this service. Mr. Herring noted that, if this budget amendment were approved, Staff would bring a detailed recommendation back thru the F&A Committee, following action by the Chamber of Commerce.

A voice vote was then taken, with the following results: AYE: Flachsbart, Segal, Grissom and Fults; NAYS: Grier, Casey, Logan, Nation. There being a tie, Mayor Geiger cast the deciding vote in favor of the amendment. Mr. Herring noted that the proposed FY2013 budget, as amended, would be presented at a PUBLIC HEARING, on December 3 and that City Council would be asked to approve same, during the regular City Council meeting, later that same evening.

4. City Employee Gift Cards

Councilmember Fults expressed her wish to see that all full-time City employees are rewarded for all their hard work, and asked other Councilmembers to support a motion to approve funding, this year, for a \$200 gift certificate for each employee. Mr. Herring noted that the City must pay employment taxes on the cards and the total cost would be approximately \$45,000, to cover this entire expense. Mr. Herring further noted that, as was the case last year, Staff would the gift certificates would only be redeemable at Chesterfield grocery stores and could not be used for alcohol, tobacco products or cash.

Councilmember Fults made a motion to approve the budget amendment. Councilmember Logan seconded the motion. Council voted and approved the motion 8-0.

5. Applying Budget Surplus Toward Bonds

Councilmember Segal reminded City Council that the F&A Committee had previously voted to recommend that the total amount of fund reserves generated during FY2012 be allocated, specifically, for use in making debt service payments on a previous Parks bond issue, which is supported solely by a \$.03/\$100 property tax. Current projections, which do not include any increase in the current assessed valuation, call for a slight revenue shortfall, during 2014 and 2015. Once Staff has completed its work to close FY2012, the F&A Committee will meet and finalize its motion to segregate these funds for the purpose identified above.

6. Adjournment

The meeting was adjourned at 6:55 p.m.