

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Kelly L. Vaughn, Director of Finance and Administration
DATE: February 23, 2010
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, February 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; and Director of Finance and Administration Kelly Vaughn. Those also in attendance included Councilmember Lee Erickson, Ward II; Councilmember Mike Casey, Ward III; and Assistant Director of Finance and Administration Brian Whittle.

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

1. Approval of Minutes—January 25, 2010

Councilmember Fults motioned to approve the minutes from the January 25, 2010 meeting of this Committee. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Recommendation re: Requested Budget Transfers/Amendments

Ms. Vaughn stated that the budget transfers were simply “housekeeping items” to move budgeted funds between accounts to reflect actual activity and that the amendments were for items previously approved by the Council. Councilmember Geiger asked if this was done every year and Ms. Vaughn stated he was correct.

Councilmember Fults motioned to recommend approval to City Council of the amendments, transfers and re-appropriations. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

3. Discussion Regarding FY2009 Financial Update

Ms. Vaughn stated that during the budgeting process, a shortfall within the General Fund of \$297,705 was anticipated. Last month, at the F&A Committee meeting, she reported updated projections which reflected that the anticipated shortfall had been reduced to \$201,150. She then stated that she fully expects this number to be reduced even further to approximately \$183,000. She said that this is due to several funding sources generating more than projected. Sales tax revenue for the month of December was

slightly better than projected. Investment Income increased as a result of the higher interest rate the City has secured through the transfer of the City's funds to Reliance Bank, coupled with better rates the City was able to secure through various investment opportunities. Grant revenue was higher mainly due to additional overtime incurred by employees for various grant funded activities. Licenses and Permits were higher than anticipated which was solely attributable to an increase in franchise fees.

Mr. Herring noted that, given the many fiscal challenges presented by the economic downturn, during 2009, it was quite an accomplishment to end the year with such a small budgetary shortfall. Councilmember Geiger agreed and stated that the Staff did a good job keeping the shortfall down.

Ms. Vaughn stated that the Parks Sales Tax Fund continued to perform better than originally expected. Sales tax revenue is \$91,430 higher than projected during the budgeting process. Rather than a slight increase to Fund Reserves of \$228, she now anticipates that Fund Reserves will grow by \$122,929, to \$3,100,830, as of 12/31/09.

Ms. Vaughn stated that the Capital Improvement Sales Tax Fund remains right on target with the FY2009 projected shortfall of \$407,496. Sales tax revenue is higher than projected, however grant fund reimbursements for the Stablestone project will not be received until FY2010.

Councilmember Logan stated that many Cities would be happy to have the results that Chesterfield experienced in 2009, during 2010, because they did not fare as well in 2009. Councilmember Geiger reiterated that the City was able to perform well during 2009, without cutting any services.

The report was accepted as information and no further action was taken.

4. Fund Reserves 12/31/09 Update

Ms. Vaughn stated that fund reserves reflect the updated FY2009 Projections. The total amount remaining above the 40% requirement policy, within the General Fund, increased from \$2,649,066 to \$2,763,961. She said this is a direct result of expenditures being lower than originally anticipated. The total left above the 40% requirement, within the Parks Sales Tax Fund, increased from \$1,384,152 to \$1,507,080. This is a result of revenues coming in higher than anticipated, and expenditures being lower than anticipated. She noted that the reserves are projected numbers and they will change slightly as final numbers are received.

Councilmember Erickson asked about the \$420,000 reserved for the local match for Pathway/Parkway. Mr. Herring stated that the money was reserved, several years ago, as a required when the City submitted a formal application for grant funds, to finish this project, in both the northeast and southeast quadrants, of the Chesterfield Parkway. However, that effort was unsuccessful. As a result, he said that there is no specific

project currently identified for the funds. However, whenever the opportunity presents itself, Staff will continue to seek grant funds for this project and will need to have the “local match” set aside. With this in mind, he recommended keeping these funds segregated.

Councilmember Fults inquired about the status of the funds reserved for the “Highway 141 study”, totaling \$200,000. Mr. Herring replied that the money will not be used for a “study”; rather, the \$200,000 will soon be needed to cover the first year’s payment for bond proceeds that the City will need to acquire, to cover its share of the “local match” for this project. He reminded the Committee that the “local match” would be paid by Chesterfield, St. Louis County and Maryland Heights. Councilmember Fults asked if any additional funds needs to be reserved for the Highway 141 project. Mr. Herring noted that the \$200,000 appeared to be adequate to cover the first year’s payment on those bonds.

Councilmember Logan asked if additional money should be reserved in the Parks Sales Tax Fund for development of the Eberwein property. Mr. Herring noted that the “Master Plan” for this site was still being prepared by Staff. Once that effort is completed, it will be reviewed by the Parks/Recreation Committee and decisions could be made, at that time, to recommend use of Fund Reserves, within the Parks Sales Tax Fund, to cover improvements to this property.

The report was accepted as information and no further action was taken.

5. Fund Reserves 12/31/10

Ms. Vaughn stated that these statements reflect the FY2010 budgeted activity, and include the updated FY2009 Projections. During the budgeting process, she projected the General Fund available funds above the 40% requirement to be \$1,665,091. Since that time, City Council approved the elimination of the budgeted transfer to fund the Capital Improvement Sales Tax Fund in FY2010. This amount has been reflected in the projected 12/31/10 General Fund Reserves balance. City Council also approved funding of the Arctic Solar Thermal Project in the amount of \$350,000, and the Municipal Court software in the amount of \$142,002. These amounts have been added to the list of one time expenditures. She reported that the updated projected available above the 40% requirement is now \$1,817,230. This is approximately \$150,000 higher than originally estimated and is a direct result of the decision to eliminate the budgeted transfer to the Capital Improvement Sales Tax fund, coupled with the continued careful monitoring of expenditures.

During the budgeting process, Ms. Vaughn projected the Parks Sales Tax Fund available funds above the 40% requirement to be \$1,689,608. As a result of revenues and expenditures performing better than anticipated, she now projects the total left above the 40% requirement to be \$1,812,309.

Councilmember Fults noted that some of the debt service payments increased in 2010. She asked if any balloon payments on the debt were pending. Ms. Vaughn stated that there are no balloon payments attached to any of the debt service. Councilmember Fults asked for a detailed schedule of all outstanding debt service. Mr. Herring stated that Staff would update the Committee, regarding all outstanding debt, annual debt service payments and when each debt would be paid off, at the next Committee meeting.

The report was accepted as information and no further action was taken.

6. Discussion Regarding General Fund Five Year Forecast

Ms. Vaughn presented the General Fund Five Year Forecast. She stated that the 2010 budgeted numbers were used as a basis for the forecast. She stated that the forecasted revenue and expenditures present a best-case scenario but are within reason. She noted that starting in 2012, a deficit is projected based on current conditions.

Councilmember Geiger agreed that the projections were a best-case scenario. He pointed out some items like healthcare expense and sales tax revenues that he felt may not come in as good as projected.

Councilmember Logan pointed out that interest revenues are projected very conservatively and felt that they will likely come in higher in future years.

Mr. Herring reminded the Committee that the “Five Year Forecast” is just a planning tool and that, for multiple reasons, there is no way to insure the accuracy of these projections. He commented that Staff will continue to monitor both revenues and expenditures, during the coming months. The revised/updated General Fund “Five Year Forecast” will need to be approved by City Council.

7. Possible Revenue Enhancements

Mr. Herring noted that, based upon the updated “Five Year Forecast” which was prepared with very “optimistic” projections, revenues, over the next several years, may not be sufficient to keep up with expenditures. He complimented each of City’s Dept. 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 provision. Discussion followed regarding the positive impact that passage of Proposition “P” had on the City’s budget, as well as the closure of the Valley TIF and the successful conclusion to litigation involving the various cell phone companies. However, there is nothing like this expected, in the immediate future.

Councilmember Geiger motioned to direct Mr. Herring to explore all possible revenue enhancements and to quantify any remaining expenditure cuts that could be made, if necessary, and to report back to the Committee with this information. Councilmember

Fults seconded the motion. A voice vote was taken, with a 3-1 result, and the motion was approved. Councilmember Logan voted “no”. 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. Members of the Committee commended Mr. Herring for his proactive approach to this issue.

8. Adjournment

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:50 p.m.