

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Kelly Vaughn, Director of Finance and Administration
DATE: February 24, 2009
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, February 23, 2009. Those in attendance included: Chairperson Lee Erickson, Ward II; Councilmember Gene Schenberg, Ward I; Councilmember Dan Hurt, Ward III; Councilmember Connie Fults, Ward IV; City Administrator Mike Herring; Director of Finance and Administration Kelly Vaughn; Asst. City Administrator for Economic/Community Development Libbey Malberg; Also in attendance were Councilmember Bruce Geiger, Ward II; Councilmember Bob Nation, Ward IV, and Councilmember Mike Casey, Ward III.

The meeting was called to order by Chairperson Erickson at 6:25 p.m.

1. Approval of Minutes—February 9, 2009

Councilmember Fults motioned to approve the minutes from the February 9, 2009 meeting of this committee. Councilmember Schenberg seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Discussion Regarding FY2008 Financial Update

Chairperson Erickson noted that there would be a change in the order of discussion of items on the agenda. The discussion regarding the proposed contract for public relations services with Casey Communications was moved to the last item for discussion. The discussion regarding the proposed request for proposal for investment services was held for discussion at the next F&A meeting.

Ms. Vaughn explained that the sales tax revenue for the month of December 2008 was down significantly. She stated that the deadline for filing the monthly sales tax with the Department of Revenue fell on a weekend. When the deadline falls on a weekend, businesses are allowed to file the following business day. Ms. Vaughn reviewed the sales tax report provided by the Department of Revenue. According to the information, a large number of businesses did not report their December sales tax revenue collections prior to January 31, 2009. Therefore, the City will not receive the December 2008 revenue from these businesses until next month. She further stated that twelve of the “usual” top 20 sales tax generating businesses did not report their December sales tax revenue collections prior to January 31, 2009. Based on prior month’s collections for these particular businesses, we could see a fairly significant increase in January 2009 revenue due to the inclusion of the remaining December 2008 collections.

Councilmember Hurt inquired as to how much income was generated by the twelve businesses on the “Top 20 Sales Tax Generating Businesses” that did not report. Mr. Herring stated that it was proprietary information and we could not disclose that information. He explained that we can not provide that level of detail concerning a grouping of a small number of businesses.

Councilmember Schenberg asked if, in our educated opinion, we expect the shortfall of the December 2008 revenue will be recovered in January 2009 revenue collections. Ms. Vaughn stated that, while not knowing what the actual revenue is, she did believe we will come close to receiving the projected revenue for December 2008.

Ms. Vaughn reminded the committee that the City will continue to receive a small amount of revenue through the end of February. However, based on actual receipts and expenditures, she fully expected the fund reserves to be close to the originally projected numbers. This is of course taking into consideration the rolling forward of uncompleted 2008 purchase orders.

Councilmember Hurt asked Ms. Malberg if she had heard of any layoffs in our area of the region, specifically near the airport or in the Valley. She stated she was unaware of any layoffs. Councilmember Fults noted that the homebuilders were being affected. Ms. Malberg confirmed.

Councilmember Geiger stated that by the end of 2009, General Fund revenues will be one million less than projected on the prior five year plan. He further stated that Parks Sales Tax Fund revenues will be \$1.2 million below projections on the previous five year plan. Councilmember Hurt agreed that we will be significantly below projections, but emphasized that we should recover in the long term.

3. Discussion Regarding City’s Current Debt

Ms. Vaughn gave a brief overview of the current debt, describing which funds support each issue. Councilmember Geiger complimented the degree of detail provided within the budget book. He stated that all debt schedules are listed in the book. Councilmember Geiger pointed out that there will be an increase of \$350 thousand in debt service payments made by the General Fund in 2010. He stated that it could not come at a worse time, but did note that all other debt payments remained relatively consistent. Councilmember Hurt stated that there was a balloon payment due in the future. Councilmember Geiger and Councilmember Fults stated that there were no balloon payments due in the future. Councilmember Fults recalled the balloon payment was taken care of during the refinancing of City Hall.

4. Discussion Regarding City’s Investments

Ms. Vaughn explained that the state requires that all of our deposits and investments are fully insured or collateralized. The FDIC insurance limit was raised from \$100,000 to \$259,000 through the end of the year. Any amount of money above the FDIC limit must

be collateralized. The City demands that the collateral is held by a third party, and that only certain types of collateral are acceptable. The collateral, once it is pledged, can not be released by the third party without our consent. Mr. Herring noted that there is a very strict process in place for permitting the release of collateral, and that there are strict controls over the process.

Chairperson Erickson asked if the City owned, or if any of the collateral backing the City's investments, were risky or would "make the news today". Ms. Vaughn replied that all of our investments are primarily in CD's, money markets and repurchase agreements. These investments, other than CD's, are invested in government securities. All of the City's investments are backed by government securities or letters of credit.

Councilmember Fults expressed her concern that the portfolio is not diverse enough, specifically that there is too much invested with Fifth Third Bank and Reliance Bank. Ms. Vaughn recognized her concern and explained that all of the CD's purchased through Fifth Third Bank were each actually issued by different banks, therefore they are each insured individually by the FDIC. She further explained that Reliance Bank had been offering significantly higher rates, therefore numerous CD's were purchased from them. She stated that these CD's are fully secured by a \$6 million dollar letter of credit as well as acceptable pledged securities. Mr. Herring clarified that Ms. Vaughn calls all banks within Chesterfield to determine the best rates of return prior to investing the City's money.

Councilmember Geiger asked what happens if the banks go under while we have our money invested. Ms. Vaughn reassured that the collateral securing our investments is held by a third party. In the event one of the banks suffers a closure, we will receive our money via retrieving the collateral from the third party. Chairperson Erickson voiced his concern with a delay in retrieving our money if it is invested primarily with one institution.

5. Discussion Regarding Proposed Contract for Public Relations Services with Casey Communications

Chairperson Erickson noted that this topic would probably be a long discussion and that there would not be enough time to discuss this thoroughly within this meeting. Councilmember Fults stated she did not want to cut this topic short. Council decided to continue the discussion. Ms. Malberg discussed the details of the services that Casey Communications would provide. Mr. Herring pointed out that this contract would allow Ms. Malberg time to focus on other aspects of her position. Chairperson Erickson agrees that now is the time to discuss such a process, but is not sure we are taking the right direction. Councilmember Hurt is concerned that there is a relationship between the public relations service and developers. He prefers an agency that deals specifically with local governments. Ms. Malberg stated that they are not writing about economic development. Councilmember Hurt stated he was not comfortable moving forward with the contract at this time.

Councilmember Fults stated that she would like to remove the newsletter duties from Ms. Malberg via assigning it to another staff member or a contract with an outside company. Councilmember Fults stated she fully supports the contract with Casey Communications.

Mr. Herring stated to the committee that this proposal is to relieve Ms. Malberg of some of the more clerical duties so that she may focus on larger issues and growing the community. Mr. Herring is concerned that at this time the committee has changed its position since the last meeting. Mr. Herring suggested this be held for further discussion.

6. Adjournment

There being no further business to discuss, Chairperson Erickson adjourned the meeting at 7:04pm.

7. Next meeting

The next meeting of this Committee has been scheduled for Monday, March 23, 2009, at 5:30PM.