MEMORANDUM

TO: Michael G. Herring, City Administrator

FROM: Kelly Vaughn, Director of Finance and Administration

DATE: June 23, 2009

SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, June 22, 2009. Those in attendance included: Chairperson Bruce Geiger, Ward II; Councilmember Matt Segal, Ward I; Councilmember Randy Logan, Ward III; Councilmember Connie Fults, Ward IV; Mayor John Nations; City Administrator Mike Herring; Director of Finance and Administration Kelly Vaughn; Director of Planning and Public Works Mike Geisel; and, Asst. City Administrator for Community Services/Economic Development Libbey Malberg. Those also in attendance were Councilmember Bob Nation, Ward IV; Councilmember Lee Erickson, Ward II; Jim Mello, NID Council; Assistant Director of Finance and Administration Brian Whittle; Project Engineer Benjamin Niesen; and four (4) citizens of the Chesterfield Hill subdivision.

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

1. Approval of Minutes—April 27, 2009

Councilmember Fults motioned to approve the minutes from the April 27, 2009 meeting of this Committee. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Request for Neighborhood Improvement District – Chesterfield Hill.

Ms. Malberg gave a brief overview of the Chesterfield Hill NID. She stated that the Neighborhood Improvement District (NID) pre-application was for improvements to two storm water retention basins in the Chesterfield Hill subdivision. She said over 70% of the citizens who live in the subdivision are in support of the project. The project would require $148,000 in financing which would be fronted by the City and subsequently repaid by the residents. Ms. Malberg noted that Staff recommends forward-funding this cost with the use of City Fund Reserves.

Mr. Geisel stated that this was essentially a "City" project because approvals, permits, and examination of the engineers will go through the City and will be worked into the City's normal workload. He stated that he was very supportive of NIDS and felt they were a good way to finance these types of projects.

Councilmember Geiger inquired as to what happens after the Committee approves the pre-application. Ms. Malberg stated that an engineer will be hired to look at the project

and determine the final costs. Once those costs are known, the residents will be presented with a final petition that details the cost. At least 66% of the residents must approve the final petition. Mr. Geisel stated that the preliminary engineering fees would need to be paid by the City, but would eventually be reimbursed, along with the actual costs of construction, by the residents of Chesterfield Hill.

Councilmember Geiger asked Ms. Malberg how she verified that 70% of the citizens approved the NID. She stated that she cross-referenced the signatures of the residents to the names in the City's GIS system.

Councilmember Geiger asked Mr. Mello how the City will be reimbursed for the preliminary fees and what happens if the final petition is not approved. Mr. Mello stated that the preliminary fees are rolled into the total loan so the City will be reimbursed. He further stated that there is a potential risk that if the final petition is not approved, the City will not be reimbursed for the fees.

Councilmember Fults asked how many homes are in the subdivision. Councilmember Logan replied that there are approximately 151 homes. Councilmember Fults then asked how the loan from the City will be paid back and if residents who do not agree to the NID will also have to pay for it. Mr. Mello replied that the NID will be paid for through a special assessment and that all citizens will be responsible for it. He further stated that residents will have the option of prepaying their portion, so they do not have to pay interest.

Mr. Mello stated that this project is smaller than many NIDs but it is Chesterfield's first NID and can be used as a showcase project for Chesterfield. Mr. Geisel stated that other subdivisions have shown interest in forming NIDs.

Mr. Herring stated that the Staff had met on numerous occasions, has determined that the pre-application meets all of the criteria established by City Council and, as a result, recommends approval. He also said that the level of resident support indicates that the project should go forward.

Councilmember Logan motioned to approve the pre-application of the NIDs. Councilmember Fults seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

Councilmember Geiger asked if Chesterfield Lakes was still looking into a NID. Council Fults stated that she had heard nothing after the initial inquiries.

Councilmember Logan motioned to recommend approval of funding for the preliminary engineering fees. Councilmember Fults seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved. This motion will require approval by City Council.

3. Recommendation to withdraw Funding for the Emergency Generator

Mr. Herring stated that he had good news regarding the need for the Emergency Generator. He said the need for the generator was eliminated due to City Council and the Mayor approving funding for the Parks Maintenance/Administration Building, which includes a generator capable of providing full power to the entire building. He stated that, to the best of his knowledge, this was the first time that an approved use of fund reserves was actually being reversed. He said this decision would return $542,000 back to fund reserves.

Councilmember Fults motioned to recommend approval of returning the $542,000 back to the General Fund Fund Reserves. Councilmember Logan seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

Mr. Herring had further good news regarding fund reserves. He stated that it appeared the $174,000 set aside for Metro funding was no longer needed due to Metro receiving additional emergency funding, from the State of Missouri. Mr. Herring stated that Metro greatly appreciated Chesterfield's proactive leadership and willingness to help fund the continuation of bus service to our community. Ms. Malberg stated that due to the State having approved additional funding, the City will now have two more bus lines serving Chesterfield.

Councilmember Geiger motioned to recommend approval of returning the $174,000 back to the General Fund Fund Reserves. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

4. Recommendation for Investment Advisory Services

Ms. Vaughn stated that the City had recently gone out to bid for investment services. She stated that after reviewing the bids, Staff recommends handling the investments internally. She believes that the limited amounts of eligible investments and the fees from the bidders would only reduce the City's investment income.

Mr. Herring stated that the investment services initially went out to bid because the Finance Department was in a period of transition. He stated that promoting Kelly Vaughn to Finance Director and hiring Brian Whittle as Assistant Director added a lot of experience and knowledge to the Department. He stated that because of those factors, he was comfortable with allowing the investments to be handled in house.

Councilmember Geiger noted that no action was necessary, since the Committee members agree with Staff's recommendation. He commended Staff for having the in-house ability to handle this important responsibility.

5. Discussion Regarding FY 2009 Financial Update

Ms. Vaughn presented a financial update for the period ending May 31, 2009. She stated that overall, General Fund revenues were performing close to the FY2009 budget. She noted that sales tax revenue was below expectations, but that the other revenues such as court fines and fees were performing above the amounts budgeted for FY2009, which offset the shortfall from sales tax revenue. She also noted that utility taxes were performing slightly above projections. With the arrival of hot weather, that should continue to improve.

Councilmember Fults complimented Ms. Vaughn on the revenue graphs attached to the financial statements.

Ms. Vaughn stated that expenditures, as a whole, within the General Fund were in line with expectations. Ms. Vaughn also pointed out that under the direction of Mr. Herring, Department Heads are continuing to be very cautious with spending and limiting expenditures when possible. In addition, Mr. Herring and the Department Heads are reviewing capital items and staffing levels as a way to reduce expenditures.

Councilmember Logan said it appears that the Parks Sales Tax Fund and Capital Sales Tax Fund revenues are performing under budget. He inquired if there was any chance for a rebound. Ms.Vaughn stated that it appeared that the economy would stabilize in the second half of 2009. She pointed to increased consumer confidence and other factors as the reasons to believe the collections will not become worse. Councilmember Geiger stated that all of the City's sales taxes are down about 8% for the year. This did not worry him with regards to the general fund because of the other revenues. He is, however, concerned with the Park Sales Tax Fund in regards to moving forward with Parks Phase II.

Mayor Nations said he was recently at a meeting with other Mayors and everyone in attendance felt the economy was turning around, which was certainly encouraging. Councilmember Erickson said that Wachovia/Wells Fargo measures consumer confidence and that it has been up for two months in a row. He noted that this measurement is a predictor for the economy, three to four months out. He said because of that Ms. Vaughn's predictions appear to be accurate.

Councilmember Nations noted that investment returns are down. Ms. Vaughn said this was due to interest rates coming down and the timing of CD maturities. Interest on current investments, for example, will not be declared as "revenue" until maturity.

Mr. Herring said that in discussions he has had with other City Administrators, he noticed that Chesterfield has not been hit as hard as other Cities. Mr. Herring said this was due to many factors such as the diversity of revenues and the strict attention the Council pays to the budget in good times and bad. He said that, at this time, there is no need to supplement the budget with Fund Reserves, unlike the years following the downturn of 2001. Councilmember Geiger listed three reasons why the City was in better shape than in past downturns. The three reasons were the passage of Prop P, dissolution of the TIF, and the wireless settlements. Mr. Herring noted that even in previous downturns, the City did not have to take more than $750,000 from the fund reserves, in any given year. In the years following the downturns, the City was able to build those reserves back up.

Councilmember Segal asked for specifics in how the City was reducing expenditures. Mr. Herring noted mulch as one recent example. He stated that when the request for $75,000 in mulch was presented to him, he turned it down. He felt that in this economy, the City can forgo purchases like mulch without decreasing the level of services that the citizens expect. Mr. Herring stated that the City has not yet had to put a hiring freeze in place but savings are realized as a direct result of the time involved in the hiring process, to fill any vacancy. Ms. Vaughn stated that all capital items due to be replaced are being closely examined to see if we can continue their operation without incurring significant repair/maintenance costs.

Councilmember Segal said it was important to remember this downturn in a few years when making decisions. Mayor Nations said that the City also makes the tough budget decisions in good times and does not provide every service residents want and that allows the City to survive in times like these.

Mr. Herring said that, based upon discussions with City Attorney Heggie, the City could soon receive a settlement from AT&T and believes the T-Mobile wireless settlement could also occur, later this year. Both would result in significant dollars, in one-time settlements, as well as increased monthly revenues.

Councilmember Fults congratulated Mr. Herring on his role in the formation of the SLAIT Self Insurance Pool, for health insurance. She said that this will enable the City to realize tremendous savings, both this year and in future years and should help the City to finally control its health insurance costs. She commented that this was a good example of the continued efforts by Mr. Herring and his Staff to find the most efficient way to operate and to cut costs. Other members of the Committee concurred with Councilmember Fults. Mr. Herring thanked Councilmember Fults for her comments but pointed out that this self-insurance pool was made possible due to the efforts of each of the SLAIT member cities who have decided to participate, as well as the Staff working on behalf of SLAIT. He also noted that City Council had made this one of his annual goals, which certainly made this a priority.

6. Discussion- Five Year Forecast Assumptions

Councilmember Geiger explained to the committee how the "Five-Year Forecast" is prepared and then handed out a sheet showing the assumptions used. Mr. Herring said this "Forecast" is a guide used by the City for budgeting and often changes based on economic conditions and other factors. Councilmember Geiger asked that Staff provide the details behind each of the assumptions listed, when finalizing and submitting the "Five-Year Forecast" back to the Committee for review.

7. Fund Reserves Update

Ms. Vaughn discussed the General Fund Reserve. She noted that the amount in excess of the 40% requirement was almost $2 million and after removing the generator and Metro funding, as noted above, the amount in excess will increase to about $2.7 million. She stated that based on conversations with other Finance Directors, Chesterfield's reserves are much higher than most Cities and that having money in excess of the 40% requirement is very impressive, especially during this economic downturn.

Prior to adjourning the meeting, Councilmember Geiger pointed out that everyone should look at the new website and commented that he felt it turned out great. He asked Mr. Herring to invite Mr. Haug to the next meeting of this Committee, to discuss the new website and to answer any questions.

7. Adjournment

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:36pm.