

MEMORANDUM

TO: Members – F&A Committee
FROM: Michael G. Herring, City Administrator
DATE: June 25, 2013
SUBJECT: Minutes – 06-24-2013

The Finance and Administration Committee met on June 24, 2013. Those in attendance included: Chairperson Mike Casey, Ward III; Council Committee Member Nancy Greenwood, Ward I; Council Committee Member Elliot Grissom, Ward II; Council Committee Member Connie Fults, Ward IV; Mayor Bob Nation; Councilmember Derek Grier, Ward II; City Administrator, Mike Herring; Community Services & Economic Development Director, Libbey Tucker; Finance Director, Brian Whittle; Management Intern, James Mello; Michelle Bock, Managing Director at Piper Jaffray; and Al Kirchhofer, President at Daniel Jones and Associates, the City's auditor.

Chairperson Mike Casey called the meeting to order at 5:30 p.m.

1. Approval of Minutes—April 22, 2013

Councilmember Grissom motioned to approve the minutes from the April 22, 2013 meeting of this Committee. Councilmember Greenwood seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Review/acceptance of FY2012 Audit and “Comprehensive Annual Financial Report (CAFR)”

Al Kirchhofer, president of Daniel Jones & Associates, discussed the FY2012 audit. He stated that his firm conducted two audits and the City received the highest opinion possible of ‘unmodified’ on both audits. The first audit was over the annual financial statements and the second audit was called a ‘single audit’ which was mandated by Federal law because the City received over \$500,000 in Federal funds in FY2012. He noted that he had no disagreement with management and that City Staff was very helpful during the auditing process. He said that every balance sheet account was reconciled with supporting documentation and every income statement account was supported by documentation.

Mr. Kirchhofer stated that this was his firm's first year auditing Chesterfield and typically first-year audits are very difficult. In Chesterfield's case, however, he felt everything went very smoothly and it was his best first audit in his 24 years of experience. He noted that the staff was thoroughly prepared for the audit and that the City gave the auditors full access to all of their financial records. He stated that his firms audits over 50 governmental clients a year and that he considers Chesterfield to be a model city.

Mr. Herring complimented both Mr. Kirchhofer and the auditing team for their thoroughness and due diligence. He reminded the Committee that a complete copy of the "Comprehensive Annual Financial Report", prepared by Mr. Whittle and including a copy of the audit, had been provided, in advance of this meeting, to Mayor Nation and the entire City Council. He further commented that City Council had delegated to the F&A Committee the ability to officially accept the audit, following the Committee's interaction with the auditor and that Mr. Kirchhofer would not be appearing before City Council, for any additional discussion. Each member of the Committee and Mayor Nation were given a copy of Mr. Kirchhofer's business card and urged to call him, directly, if they had any further questions.

Following additional discussion, Councilmember Fults motioned to approve the FY2012 Audit, as presented. Councilmember Greenwood seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved. On behalf of the entire Committee, Chairperson Casey complimented Mr. Herring and Mr. Whittle for their efforts and for securing the "unmodified", or highest audit opinion possible.

3. Review Utility Taxes

Mr. Whittle reminded the Committee members that, at the last meeting, Staff was directed to compile information regarding the electric utility tax. He pointed out, as detailed in his attached MEMO, that electric utility taxes, alone, are the second largest source of revenues in the General Fund, after sales taxes. The electric utility tax contributes about \$3.6 million annually in revenues, or 17% of total General Fund Revenues. That amount represents 48.5% of all Utility Tax revenues. He noted that Chesterfield's tax rate of 5% is lower than almost all cities in the area with the average being 6.22% for residential. He noted that dropping the rate from 5% to 4% would reduce the City's revenues by \$718,522 annually or if only the residential rate was dropped from 5% to 4%, that reduction would be \$323,335 annually.

Mayor Nations said that, given the overall fiscal health of the City, tax reduction should, in his opinion, be a long-term goal of the City and if that is not done through utility taxes then other possibilities should be examined. He also said that the City should not collect more revenues than what is needed to provide services.

Councilmember Fults stated that since a rate decrease cannot be reversed without a vote of the people, making such a reduction would be risky. She also noted that since Chesterfield has one of the lowest rates, the benefits of reducing the rates do not exceed the potential risk. Councilmember Grissom expressed similar sentiments, as did Councilmember Greenwood.

Mr. Herring reminded the Committee members that the dollars added to Fund Reserves, at the close of the FY2012 Budget, were the result of expenditures coming in below budget (more fuel efficient vehicles; lower insurance rates; self-insuring for health insurance; capital equipment being purchased for less; employee vacancies during the year, etc.) and that revenues exceeded projections by, approximately, only \$41,000 for

the entire year. He specifically noted that Utility Tax revenues, for the entire year, were approximately \$120,000 BELOW BUDGET, in spite of one of the hottest summers on record. He noted, however, that he and his Staff understand their obligation for the City to live within its means and, if revenues are reduced, expenditures would be reduced, as well.

Mayor Nation thanked the Committee members for their time/consideration and joined them in acknowledging that, perhaps, electric utility tax rates should not be reduced, at this time.

Chairperson Casey stated that, given the comments expressed by all members of the Committee, Mr. Whittle's report would be accepted as information, with NO FURTHER ACTION being taken.

4. Debt Early Pay-Off

Mr. Herring stated that as noted in the enclosed memo, prepared by Mr. Whittle, the City has a great opportunity to retire some debt early with minimal use of fund reserves. He stated that with a transfer from fund reserves of \$180,000 the City can retire debt used to finance the Public Works Facility. He said the early retirement will save the City \$25,410 in interest payments over the next two years. He noted this was possible because there is money in the budget for the 2013 payment and approximately \$231,000 in a debt service reserve fund that is set-aside for this bond issue.

Councilmember Greenwood motioned to recommend the City Council transfer \$180,000 from General Fund fund reserves in order to pay off the Public Works Facility debt early. The total amount of debt to be retired, including accrued interest, will be \$623,000. Councilmember Grissom seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

5. Bond Refinance Opportunity

Michelle Bock, Managing Director at Piper Jaffray, the City's Financial Advisor and bond consultant, stated that due to recent changes in the market, the numbers have changed, fairly dramatically, since her firm originally calculated the benefits of refinancing the 2005 Parks Bond Issue. That proposal is detailed in the enclosed MEMO that she and Mr. Whittle jointly prepared. She noted that currently rates are too volatile to give an updated number on the benefits of refinancing the 2005 bond issue. However, she feels that in the future, an opportunity to refinance the bond will occur again. She noted that this bond can only be refunded once.

Mayor Nation stated that he was in favor of any refinancing that would benefit the City and he asked Ms. Bock what the Council could do to speed up the path to refinancing should a future opportunity to refinance present itself.

Ms. Bock replied that, subject to review by Bond Council, the City may have the option to have a ‘parameter’ authorization for a bond refinancing. Mayor Nation asked at what level of savings would be needed for the refinancing make sense. Ms. Bock said, as a general rule, there should at least be savings of 3% before any bond is refinanced. In the case of the 2005 Parks Bond, that 3% savings equals approximately \$750,000.

Councilmember Fults motioned that City Council recommend a \$750,000 threshold for an advanced refunding on the 2005 Parks Bond Issue, subject to review by the Bond Council and then further review/approval by the City Council, which may include two readings at one meeting to expedite the process, rather than coming back to the F&A Committee with the details first. Councilmember Greenwood seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

6. Doorack Property

Councilmember Greenwood discussed the Doorack property lease and asked what options the City had in regards to ending or transferring the lease.

Mr. Herring stated that, with Council endorsement, he could have the City Attorney bring back an analysis regarding the lease. He noted that City Attorney had conducted this analysis in the past and the presentation could hopefully be done with minimal additional work.

A general discussion regarding the lease took place. Members of the Committee shared various rationales for entering into the original lease. Mr. Herring shared with the Committee that, at the suggestion of Councilmember Grier, the members of the Parks/Recreation Committee had directed Staff to pursue an arrangement with the Hilton Garden Inn, for a trailhead accessing the Monarch-Chesterfield Levee Trail. While no final agreement has been secured, the Hilton Garden Inn appears to be receptive/supportive of the idea.

Councilmember Greenwood motioned for the City Attorney to compile an analysis of all options regarding the Doorack Property lease and present those to the Committee. Councilmember Grissom seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

7. Retreats

Mr. Herring stated that the previous Mayor/City Council, in the context of his annual performance evaluation, had adopted several GOALS, for 2013. Two of those goals involved the scheduling of two retreats, involving the Mayor/City Council, the City Administrator and some or all of the Management Team. One of these retreats was to focus on the “Public Arts Master Plan”, which was created several years ago, so everyone is familiar with the plan, its goals and objectives. This retreat would involve Stacey Morse, Executive Director for Chesterfield Arts and members of her Board, in addition to

Community Services/Economic Development Director Libbey Tucker. The second retreat would focus on the setting of goals and objectives for the City, as well as visioning and strategizing about the current/future state of the City. He stated these retreats will be held at City Hall and would likely take place on different Saturdays. The Committee expressed unanimous support for Mr. Herring to pursue the scheduling of both of these retreats.

8. Adjournment

There being no further business to discuss, Chairperson Casey adjourned the meeting at 6:32 p.m.