MEMORANDUM

TO: Michael G. Herring, City Administrator

FROM: Kelly L. Vaughn, Director of Finance and Administration

DATE: July 28, 2009

SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, July 27, 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; and, Asst. City Administrator for Community Services/Economic Development Libbey Malberg. Those also in attendance were Councilmember Bob Nation, Ward IV; Councilmember Mike Casey, Ward III; Stacey Morse, Executive Director, Chesterfield Arts: Assistant Director of Finance and Administration Brian Whittle; and Mike Williams, Partner, Hochschild, Bloom, and Company.

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

1. Approval of Minutes—June 22, 2009

Councilmember Fults motioned to approve the minutes from the June 22, 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. Proposed City Council Meeting Schedule

Chairperson Geiger asked, at the request of Mr. Herring, to alter the agenda and discuss the City Council meeting schedule, for calendar year 2010, at the beginning of the meeting. Everyone agreed. The meeting schedule was modified to change the first meeting in September to September 1, 2009.

Councilmember Logan motioned to recommend that City Council approve the proposed City Council meeting schedule. Councilmember Fults seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

3. FY 2008 Audit/CAFR

Mr. Williams, from Hochschild Bloom & Company, discussed the 2008 financial statements and related reports. He pointed out that the City received a Certificate of Achievement in Financial Reporting. He said this certificate was important for bond ratings and certainly demonstrated to the citizens of Chesterfield that the City's finances

are in good hands. He next noted that the City received an unqualified opinion on the financial statements. This is the highest opinion that can be given for financial statements. Next Mr. Williams discussed the report on internal control. The report states that no deficiencies in internal control over financial reporting were noted. The next report discussed by Mr. Williams was the management letter addressed to the Mayor and City Council. This report thanked the City's personnel for cooperation and courtesy during the audit. In addition, the only comment noted in the report was related to an upcoming accounting standard that the City will implement.

Mr. Herring thanked Mr. Williams for the presentation and report. Mr. Herring commended the auditors for their tremendous effort and thoroughness. The auditors confirmed his sense that Ms. Vaughn and her entire Department were attending to ALL the financial details of the City.

Councilmember Geiger said that the current three year contract with the auditors was complete and that the City will have an RFP soon for auditing services. Mr. Williams said he would be happy to respond to the RFP and hopes to continue working with the City.

Councilmember Logan motioned to recommend approval of the financial statements and that they be forwarded to City Council for final review/approval. Councilmember Segal seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

4. Discussion Regarding Art Master Plan

Councilmember Geiger briefly referenced the proposed Arts Master Plan and noted that it was his intention for tonight's meeting to be for the purpose of presenting the Committee members with a general overview of this proposed plan. He noted that, following City Council's appropriation of $35,000 for the purpose of creating this plan, an Advisory Committee, comprised of Mayor Nations, Councilmember Casey, Councilmember Geiger, Mr. Herring, Bud Hirsch, Chair of the Planning Commission, Ms. Morse, Ms. Malberg and others had met with the consultants selected by Chesterfield Arts, Via Partnership, to develop this proposed plan. He then introduced Stacey Morse from Chesterfield Arts, for an overview.

Ms. Morse first commented that much of the success experienced by Chesterfield Arts and the fact that this proposed Master Plan has been created was a result of the leadership shown by City Officials, both on a personal level and financially. She felt the plan was concise and reflected the past of the City and where the City wants to go, in terms of public art. She said the document also includes all areas of the City and discusses how areas that are underserved, by the Arts can be improved. She noted that, throughout the document, there is reference to a "Designated Arts Agency". That refers to "Chesterfield Arts". That wording was used to enable designation of another agency if, in the future, Chesterfield Arts is not used. She stated that, when this plan is officially approved/adopted by City Council, Chesterfield Arts will establish an Arts Committee

that will include citizens, Council Members, City staff, and artists. She said the Master Plan includes funding suggestions, but that any funding will be reviewed by the City every year. She stressed that this proposed plan does not obligate the City financially. The Arts Committee will use the funding and suggestions from the City Council to determine what can be done every year to have the greatest amount of positive impact within our community.

Councilmember Geiger discussed the art workshop hosted in 2008. He wanted to know if the names of the Citizens at that meeting were included in the plan. Ms. Morse said the names of those citizens were included in the plan and noted that many of their suggestions were incorporated in the plan, as well.

Councilmember Logan asked what guidelines were given when the plan was created. Ms. Morse stated that Via Partnership had created great plans for others Cities and those guidelines were given to Via Partnership based on meetings of the steering committee. Councilmember Logan asked if other similar sized communities were examined in developing the plan. Ms. Morse stated that Via Partnership looked at the other Cities, and pictures and plans from those Cities were included in the master plan.

Councilmember Casey stated that three different firms were thoroughly examined by the steering committee in determining who would create the plan. He stated that Via Partnership was clearly the best fit for Chesterfield. He also congratulated Ms. Morse on finding the firm and for other work she had done.

Mr. Herring thanked both Ms. Morse and Ms. Malberg for all the work done on this plan. He further stated that both Ms. Morse and Ms. Malberg had engaged a number of other City personnel to finalize this proposed plan, which specifically included the Dept. of Planning/Public Works. Mr. Herring said that studies have shown that Public Art enhances the image of the City. He felt that events like "The Awakening", the traveling exhibit by J. Seward Johnson, as well as this proposed Master Plan will position the City for great things in the years to come.

Councilmember Fults stated that art can and should be considered, starting with review of all development proposals, at the Planning Commission level. She stated that items like bridges and bike racks can be artistic and should be thought of that way on future projects.

Mayor Nations thanked Ms. Morse for all of her hard work and effort. He next stated the Mr. Herring really started the art process, after attending a conference a few years ago and returning with a great deal of enthusiasm for public art and the value that it will bring to Chesterfield. He said Mr. Herring deserves high credit for the plan and the direction arts have taken in the City.

Mr. Herring stated the City was at an advantage because it already had an active arts organization and a leader in Ms. Morse.

Ms. Morse stated that in addition to "The Awakening", additional pieces of art will be arriving this week at the City. She stated they will be placed in high traffic areas like the corner at City Hall and the parkway. She also said Channel 5 will be in Chesterfield to film the art in the City next week.

Councilmember Geiger again thanked Ms. Morse and urged all members of the Committee to review the plan, prior to the next meeting of this Committee, when it would be scheduled for final review. Staff confirmed that all members of City Council had been provided with a copy of this proposed plan.

5. <u>Discussion Regarding FY2009 Financial Update</u>

Ms. Vaughn presented a financial update for the period ending June 30, 2009. She stated that overall, General Fund revenues were performing at levels fairly 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. In addition, she noted that expenditures are lower than budgeted, which is further offsetting the decrease in revenues.

Councilmember Logan inquired about the telephone tax revenue for the year compared to budget and prior year. Ms. Vaughn stated that they are close to budget. Mr. Herring stated that the million dollar AT&T settlement should come in this year and bring in about $15,000 extra a month, in addition to the lump sum settlement (approximately $200K/year).

Councilmember Geiger noted that sales tax was down across all three funds. He said that he was not worried about the General Fund as much as the Parks Sales Tax and Capital Improvement Sales tax Fund, which depend more heavily on sales tax revenues. He noted that Mr. Herring has always been able to cut expenditures in the General and Parks fund. Councilmember Geiger then stated that Capital Improvements Sales Tax Fund expenditures cannot be cut like the other funds, if the City desires to maintain its current level of services. Councilmember Geiger then said that funds may need to be moved, from the General Fund into the Capital Improvements Sales Tax Fund, to make up for the shortfall within that fund.

Mr. Herring elaborated on Councilmember Geiger's point. He stated that revenues cannot be controlled, but expenditures can be, to a certain extent. He also noted that the City Council has always made streets and sidewalks a high priority. In addition, when adopting/approving the FY2009 Budget, it was clearly stated that City Council does not want any reduction on the level and quality of services provided to citizens. Using that direction from the Council he has not reduced expenditures in the Capital Improvements Sales Tax Fund. He further stated that holding off on or reducing street and sidewalk work would only cost more money in the long run. He also felt that a transfer may have to be made to make up the shortfall. At this point the transfer may be around $200,000 to

$300,000. However, if sales tax revenues within this fund stabilize or slightly improve, that gap may narrow.

Councilmember Geiger agreed with Mr. Herring's statements. Mayor Nation's also said that the services to the citizens should not be cut. Councilmember Segal stated the economy is the worse since the Great Depression. He feels that it is a good reflection on the City, and especially on its Staff, that we are able to keep up the same level of services, while perhaps needing only a small transfer to cover the shortfall. Councilmember Geiger also said this shows that what the City has been doing works. Councilmember Logan brought up the point that everything will cost more next year so if we can do projects this year we will be saving money. For that reason, Councilmember Logan felt there was no reason to put off until next year, street projects that can be done this year.

Mr. Herring stated that this year really proves how many components are involved in the budget. He said that as some revenue sources go up others go down. Due to those factors, the City never uses an increase in one area of revenues as a reason to spend more money because another source could drop, due to a wide variety of circumstances and conditions.

Councilmember Geiger stated that the City is always careful with money even when times are good. He said that leaf pick-up is a good example of something that the City does not provide which enables the City to save money in good times and bad. Mayor Nations agreed and stated that in good times residents ask for leaf pick-up, but during times like these they are very happy to see that the City does not have to cut services or raise taxes.

6. Fund Reserves Update

Ms. Vaughn discussed the General Fund Fund Reserve. She noted that the amount in excess of the 40% requirement was almost $2.7 million after removing the generator and Metro funding allocation at the last Council meeting. She said that the Parks is approximately $700,000 over the 40% policy.

Councilmember Geiger asked if the $200,000 reserved for the Highway 141 study will be spent. Mayor Nations said that the money will be spent.

Councilmember Nation pointed out that $70,000 of the fund reserve is set aside for lease of the Doorack property. He again questioned the value of that lease and wondered whether the City was getting anything in return for the lease. Mayor Nations reminded Councilmember Nation that this lease was approved by City Council and that for a minimal annual expenditures, the City is getting control of property that the City has wanted to control for many years, with an eventual option to purchase. He invited Councilmember Nation to meet with him, privately, to continue the discussion. Since both Councilmembers Segal and Logan came on City Council, after this issue was

resolved, they requested that Mr. Herring provide them with copies of the current lease and indicated a desire to also meet with Mayor Nations. Councilmember Segal pointed out that leases, on prime real estate, like this location, with options to purchase, typically cost more than $70,000/year.

7. Adjournment

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:52 p.m.