MEMORANDUM

TO: Michael G. Herring, City Administrator

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

DATE: August 24, 2009

SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday, August 24, 2009. Those in attendance included: Chairperson Bruce Geiger, Ward II; 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 were Councilmember Bob Nation, Ward IV; Councilmember Mike Casey, Ward III; Councilmember Lee Erickson, Ward II, 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—July 27, 2009

Councilmember Fults motioned to approve the minutes from the June 22, 2009 meeting of this Committee. Councilmember Logan seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Discussion Regarding FY2009 Financial Update

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. In addition, she noted that expenditures are lower than budgeted, which is further offsetting the decrease in revenues. She next stated the Parks Sales Tax Fund budgeted expenditures had been adjusted down at the last Council meeting. She added that even with the lower budget, the Parks Sales Tax Fund is on pace to be below budget.

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 on sales tax revenues. He stated that when the second part of Phase II was approved, it was thought that the Park Sales Tax revenues were going to be $200,000 under budget. He noted that they were now $300,000 under budget. He worried that this decrease will lead to long-term problems within the fund.

Councilmember Geiger next asked Mr. Herring about the future transfer from General Fund to Capital Improvement Sales Tax Fund to make up for any shortfalls in the Fund. Mr. Herring stated that the amount of the transfer could not be determined currently

because it will vary based on future collections and expenditures. Councilmember Geiger stated that he felt the transfer will be a couple hundred of thousand dollars even if the economy stabilizes during the last half of the year.

Next Mr. Herring elaborated on Councilmember Geiger's earlier point. He stated that budget is a living document and many parts of it can be adjusted when necessary. He noted that even though revenues cannot be controlled we still have received positive news in regards to items like the AT&T settlement.

Councilmember Fults then acquired about the sales tax holiday. Mr. Herring stated we have always participated and it was only on certain items. In addition, the City can only opt out of the Park Sales Tax and Capital Improvement Sales Tax. He also said that the proponent of the holiday say that the City receives other benefits in the form of people visiting the City and spending money on other items. Councilmember Fults then said she noticed a lot of stores had run out of the eligible items and that was a disservice to people who had travelled from out of town and others who had wanted to take advantage of the holiday.

Councilmember Geiger then asked how the City could opt out of the sales tax holiday in the future if that was the decision. Ms. Vaughn answered that the State must be notified a few months in advance. Councilmember Geiger and Fults agreed that this issue should be reexamined in the future.

Councilmember Casey asked Mr. Herring what his global view was about sales tax being down 8-10% across the funds. Mr. Herring stated that he was currently not worried about the drop. He felt that the City has taken steps to adjust the expenditures downwards where necessary. He also thinks that the General Fund has a wide variety of revenues to withstand this shortfall. Councilmember Casey then asked if the City would notice any impact from the cash from clunkers program. Ms. Vaughn stated that the revenues from cars sold in Chesterfield are not directly remitted to the City but rather to the City where the purchaser lives. Mr. Herring said that the program demonstrated a pent-up demand for purchasing in the Country. He said he has also noticed this demand at restaurants in the City. He said the City has been fortunate to not feel the impact of the economy as negatively as other Cities and that Chesterfield is positioned to rebound from the crisis.

Councilmember Geiger stated that he was not as hopeful in regards to the drop in sales tax revenues. He said that currently the $300,000 drop per fund translates to almost a million dollars lost. He pointed out that when the economy rebounds, sales taxes will not increase by $300,000 but really just return to the starting point of before the downturn. He said this will have a cumulative effect over the next few years which could translate to $1.5 million less in receipts then was projected.

Councilmember Logan disagreed with Councilmember Geiger's assessment of the sales tax rebound. He said revenues will rebound to the original amount and once they are over the original point that is when the fund reserve will start to build back up. He said that they may drop again in the future but then rebound again and that is the natural cycle.

Councilmember Geiger said that revenues increased in the past due to three main events: TIF closure, Prop P, and cell phone settlement. He said without those events the City would be in bad shape Mr. Herring agreed that those events did help the City but prior to them, the City always managed to have many successful budget years. He believes that we can have successful budget years in the future.

Councilmember Geiger said his main concern was with Parks Sales Tax and Capital Improvement Sales Tax. He felt that the Parks Fund was close to fully expended. Councilmember Logan said that over time sales tax will increase in the Parks Sales Tax Fund and revenues will return to a normal or 'middle' number. He thinks the budgeted expenditures should continue to be made with that middle number as the target. He said it will enable the City to rebuild reserves when revenues exceed that middle number.

Councilmember Erickson said that City has not been playing a passive role in the recovery. He stated that the City recently changed the parking ordinances in a way that will increase the occupancy of the Commons. He also said the Strassenfest will bring people into the City and they will hopeful spend money at local businesses. He finally noted that the big events at the CVAC also increase business in the City. Mr. Herring agreed with Councilmember Erickson and said other intangibles like how nice the City looks when people enter or how people feel safe when they are in Chesterfield are also beneficial.

Councilmember Nation said that the current discussion made him want to bring up the lease for the Doorack property. He said that with property taxes the real cost is closer to $85,000. Councilmember Logan stated that he recently went walking around that area and felt it was a unique property in that area of the City. He could not think of a better place for the trailhead spot that was eligible. He felt this made the yearly expenditure beneficial to the City. Mr. Herring stated that a debate about the Doorack Property was not on the publically posted agenda and should not be discussed any further in order to stay in compliance with the Sunshine Law. He suggested that if a further discussion is warranted, it should be added to a future agenda. He apologized for interrupting the discussion. Councilmember Geiger agreed with Mr. Herring and said that the discussion should end. Councilmember Fults said that it should be discussed at the City Council level and not at the committee level in the future. Councilmember Geiger agreed with Councilmember Fults.

3. Fund Reserves Update

Ms. Vaughn discussed the General Fund Reserve. She noted that the amount in excess of the 40% requirement was almost $2.7 million. She said that the Parks is approximately $1.4 million over the 40% policy after the recent budget adjustments.

Councilmember Geiger said he directs Ms. Vaughn to prepare this every month for informational purposes. Councilmember Logan asked why the $25,000 for the NID was

reducing the fund reserves if the City was going to be reimbursement. Ms. Vaughn stated that the City does anticipate being reimbursement but excess reserves are reduced as a conservative measure in case something happens and the City is not reimbursed.

4. Adjournment

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:07 p.m.