Finance Committee
Committee Meeting Agenda
November 7, 2017
5:30 PM
Administrative Conference Room
300 N New Ballas Rd

1. **Call to Order**
2. **Roll Call**
3. **Approval of Agenda**
4. **Approval of Minutes**

    Approval of September 5, 2017 Finance Committee Meeting Minutes

5. **Reports from Committee Liaison's**

    Chairperson

    Audit Committee

    Pension Board

    Building Task Force

6. **Unfinished Business**
7. **New Business**

    FY18 1st Quarter Financial Report

    Budget Amendment #3

    Budget Amendment #4

    Budget Amendment #5

    Fund Balance Policy

    New Hotel Redevelopment

    Financial Policy for Capital Return on Investment

8. **Other Business**

    FY18 Meeting Schedule

9. **Adjourn**

Finance Committee
Committee Meeting Minutes
September 5, 2017
5:30 PM
Administrative Conference Room
300 N New Ballas Rd

1. Call to Order

Meeting called to order at 5:30 PM

2. Roll Call

Richard Kutta	Vice-Chairperson	
Larry Potashnick	Board Member	
Ronald Abeles	Board Member	
Marjorie Richter	Board Member	(Absent)
Adam Shulenburger	Board Member	
Phillip Hellwege	Chairperson	
Tim Fogerty	Board Member	
James Faron	Council Liaison	
Mark Perkins	City Administrator	
Debbie Loso	Assistant	
Lori Obermoeller	Director of Finance	
Mel Clearman	Citizen	

3. Approval of Agenda

Request by Committee was made to have the agenda sent out to all Committee members to see if they have any items to add before the final agenda is sent out.

4. Approval of Minutes

Approval of July 25, 2017 Finance Committee Meeting Minutes

RESULT:	**ACCEPTED [UNANIMOUS]**
MOVER:	Larry Potashnick, Board Member
SECONDER:	Tim Fogerty, Board Member
AYES:	Kutta, Potashnick, Abeles, Shulenburger, Hellwege, Fogerty
ABSENT:	Richter

5. Reports from Committee Liaison's

Chairperson

Mr. Hellwege stated he attended the Pension Board meeting and found it very interesting.

Audit Committee

Mr. Abeles stated a presentation was given by the representative from the accounting firm Schowalter & Jabouri to the Committee. Mr. Abeles stated they discussed last year Management letter and that most of the items had been dealt with. Two items carried over to this year and recommendations were made to resolve those issues.

Pension Board

Mr. Potaschnick stated the Pension Board voted at the last meeting to not have a specific audit for the City's Defined Benefit Plan due to the plan being audited during the Board's City Financial Audit. Mr. Potaschnick presented the Committee with a copy of the Pension Boards last meetings agenda and supporting documents. He stated that a representative from LAGERS was at the meeting and answered the Committee's questions concerning moving the City's Defined Benefit Plan to LAGERS. If the plan moves to LAGERS the City's Pension Boards Fiduciary responsibility will be removed. The Committee discussed the actuarial assumption and the funding level of the plan.

Building Task Force

Mr. Kutta gave an update from the Building Task Force. The design development portion is now done. Planning and Zoning already to presented to City Council.

6. Unfinished Business

Ladue Road Update

Mr. Perkins stated the wall and utility work with Laclade Gas and MSD have been completed. The contractors will begin their work on the curb, guard rail followed by the resurfacing of the road. The project is still on target to open by the end of September. The City still expects the cost to be around $800,000. There has not been any unforeseen cost at this time with the project.

7. New Business

Revenue Review

Ms. Obermoeller presented the Committee with a power point presentation to review the requested items from a previous Committee meeting concerning revenue streams. The presentation showed the decrease in revenues from 2016 to 2017 and the 2018 budgeted revenue. These included sales tax, property tax, cigarette tax, county road and bridge tax, licenses and permits, and court revenues. Discussion was held on the property tax, assessed valuation and the effect it would have on the revenue. The cigarette tax and county road and bridge tax revenue do not fluctuate much from year to year. The biggest change is in the Court revenues due to Senate Bill 5. Discussion was held on what the cost savings would be in consolidating with other area courts.

Ms. Obermoeller discussed the fund balance and the decline over the next five years from 2018 thru 2022. The requirement for the City's fund balance is four months worth of expenditures. The report shows in 2022 the City will be below the required fund balance reserve. The Prop P revenue is not included in the General Fund revenue because it is unclear at this time what exactly the funds can be used for.

Ms. Obermoeller reviewed the revenue sources the Committee wanted which included sales tax, use tax, utility gross receipts, and business license fees. She reviewed all the sale taxes revenues available and which the City participants in. Currently the City does not have the economic development sales tax but you typically need a large area of undeveloped land to have the sales tax which the City does not. The City also does not the have the Parks and Storm water sales tax. The City can not have the Fire sales tax because the Fire Department does not reside with the City. All the sales tax revenues have to be voter approved. Next she reviewed the City's sales tax rate compared to other local municipalities. The comparison showed the City has one of the lowest sales tax rates and what other sales tax options the local municipalities participant in.

The use tax was discussed. It is a tax that is applied on out of state sales. The rate is applied the same as the City's local sales tax rate. If the City wishes to adopt the use tax it has to be voter approved.

The utility gross receipt tax is levied on the gross sales on telephone, electric, water, gas and cable bills. This tax is set by ordinance by the City which is at 7% for residential/commercial with the exception of residential electric which is at 5.5%. When the ordinance was set the max rate was at 10%. The City can increase the rate to 10%. If the City would increase all the utilities rate by 1% it would generate approxiamtely $877,000.

Business license tax for the City was last updated in 1995. The City currently charges $30 per one thousand square feet except for warehouses which is $20 per one thousand square feet.

Further discussion was held on what direction the City should take to generate more revenue.

FY18 Adoption of Budget and Amendment

Ms. Obermoeller discussed the adoption of the budget and amendment for the FY18 budget. When the City adopted the budget there were a couple of amendments. The first amendment was to reduce the sales tax from 5.1 million to 4.950 million and an increase in the Capital budget of $335,000 for the golf cart paths replacement project was currently budgeted in FY17 but had not started.

FY18 Budget Amendment

This budget amendment was in July for the Dielmann Recreation Center AC repairs.

4th Quarter Financial Report

Discussion of the 4th Quarter Financials shows the City's revenues down over $1 million due to the utility tax, sales tax and court revenues. Expenditures were also down around $1 million due to not purchasing the financial software for $375,000.

A request was made by a committee member to review in depth the expenditures for the City. This request will be added to the next meeting agenda on November 7, 2017.

Golf Task Force Final Report

Discussed under Reports from Committee Members.

8. Other Business

FY18 Meeting Schedule-Updated

The Committee discussed the updated meeting schedule and agreed on the changed meeting dates.

9. Adjourn

Finance Committee
Committee Meeting Minutes
September 5, 2017
5:30 PM
Administrative Conference Room
300 N New Ballas Rd

1. Motion to Adjourn Meeting

Meeting adjourned at 7:15 PM.

RESULT:	**ADOPTED [UNANIMOUS]**
MOVER:	Ronald Abeles, Board Member
SECONDER:	Larry Potashnick, Board Member
AYES:	Kutta, Potashnick, Abeles, Shulenburger, Hellwege, Fogerty
ABSENT:	Richter

MEMORANDUM

DATE: October 25, 2017

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: First Quarter FY 2018 Financial Analysis

Attached is a financial report for the two major operating funds for the 1st quarter of FY 2018. In addition, I have commented on the Capital Fund for FY 2018. Some of the fluctuations in both revenues and expenditures worth discussion are as follows:

1. **General Fund**
   a. Revenues
      Overall, revenues for FY 2018 are slightly less than revenues for the same time period in FY 2017. The decreases are primarily in the areas of:
      - Court Revenues are $76,120 less than FY 2017, a continuation of a trend from the previous year
      - Other Revenues are $114,027 less due to no Proceeds from Sale of Fixed Assets ($20,465); and an anticipated reimbursement from SLAIT for health insurance ($96,800) was not received until October

      However, below are some of the revenue sources that have increased:
      - Intergovernmental Revenues – Sales Tax is up $77,529
      - Licenses & Permits – Building permits are up $46,215; occupancy permits are up $10,072; Subdivision Plat fees are up $15,649

   b. Expenditures
      Expenditures for the General Fund are $26,479 less than the same time period in FY 2017, of note:
      - Finance – Annual Software Maintenance Agreement ($35,000) was paid after the end of the quarter

While overall revenues and expenditures are down slightly for the FY 2018 General Fund, everything seems to be within the anticipated budgeted amounts. We budgeted a decrease of about $220,000 in revenues in the general fund due to court fines and sales tax revenues (court revenues are down, but sales taxes are up slightly). We budgeted about $52,000 less in expenditures due spreading out the costs for the new software between 2 fiscal years. So overall, everything seems to be close to the budgeted amounts for FY 2018.

2. Municipal Enterprise Fund

a. Revenues

Overall, Revenues for the Enterprise Fund are substantially less than what was received in FY 2017 by $133,753, but within the budget for FY 2018. Last year at this time, we received a one-time payment of $120,000 for the Dielmann Tower Lease. However, Creve Coeur Hockey League Rental is down $20,000 due to the timing of the payment from the Rockets.

b. Expenditures

Expenditures are $17,900 more than last year. See below for a detailed description of the expenditure fluctuations:

- Golf/Pro-Shop Division – there was an overall increase of about $5,500 due to the following:
  - Increase of about $9,000 for utilities (mainly water of $7,813)
  - Increase of about $1,800 in supplies costs
  - The purchase of a one-time commodity (sod cutter of $5,000), but this item was budgeted for FY2018
  - Decrease in contractual services for the Pro-Shop of about $10,000 due to no consulting fee with Walter's Golf Management in FY 2018
- Ice Arena - an increase in operational expenditures such as utilities, gas/propane, chemicals, equipment maintenance, etc. of about $7,000
- Food Service – an increase in food and beverage costs of about $5,000

We budgeted an increase in revenues and expenditures for the Enterprise Fund. With the exception of the Rockets payments not being received yet, the revenues and expenditures are on track with what is budgeted.

3. Capital Fund

a. Revenues

At this time, revenues for the Capital Fund are only down $5,310 from last year at this time.

- Capital Sales Tax – down about $10,000
- Other Revenues – increased due to $5,000 in grant proceeds received for the Coeur de Ville project in FY 2018

b. Expenditures

Expenditures are at $1,444,199, but all are within budget. Some of the major expenditures are as follows:

- Golf Course Cart Path Project - $58,148
- Park Bridge Replacement - $26,165
- Golf Course Dam Rehab - $83,776
- Ladue Road - $628,007
- Asphalt - $194,573
- Concrete - $174,460
- Microsurfacing - $212,176
- Olympia Ice Resurfacer - $69,500

The Capital Fund is also on track with what was budgeted for FY 2018.

I would be pleased to respond to any questions.

City of Creve Coeur
Statement of Revenues and Expenditures
As of September 30, 2017
FY 2018

	Annual Budget	Adjusted Budget	YTD Actual	YTD Encumb	Actual As % of Adjusted Budget	*2017 4th Qtr Actual*	*2017 Actual As % of Budget*
<u>General Fund Revenues:</u>							
Property Taxes	552,000	552,000	948		0.2%	474	0.1%
Utility Taxes	5,862,000	5,862,000	1,702,498		29.0%	1,702,976	27.3%
Intergovernmental	7,293,000	7,143,000	1,431,978		20.0%	1,348,827	19.7%
Licenses and Permits	977,650	977,650	282,451		28.9%	209,534	23.1%
Charges for Services	103,060	103,060	35,988		34.9%	31,305	26.6%
Municipal Court	600,000	600,000	98,200		16.4%	174,320	17.4%
Interest Revenue	210,000	210,000	30,294		14.4%	10,362	5.9%
Other Revenues	325,268	325,268	38,542		11.8%	152,569	49.6%
Transfers	0	0	0		0.0%	0	0.0%
Total Revenues	**15,922,978**	**15,772,978**	**3,620,899**		**23.0%**	**3,630,367**	**22.5%**
<u>General Fund Expenditures:</u>							
Legislative Services	474,982	474,982	102,386	0	21.6%	87,377	43.3%
Administrative Services	1,076,511	1,076,511	192,113	21,917	19.9%	212,831	21.3%
Finance Department	573,632	573,632	122,669	0	21.4%	157,631	28.6%
Municipal Court	258,351	258,351	49,468	20,267	27.0%	68,301	26.4%
InterDepartmental	495,901	495,901	205,755	0	41.5%	229,016	44.5%
Community Services	118,342	118,342	31,778	0	26.9%	25,906	21.4%
Maint. of Municipal Prop.	355,303	355,303	77,052	7,163	23.7%	83,852	25.6%
Police Department	7,477,500	7,477,500	1,644,677	296,313	26.0%	1,616,650	29.6%
Public Works - Admin.	617,035	617,035	135,203	3,640	22.5%	122,789	24.3%
Street Maintenance	1,669,477	1,669,477	322,387	178,008	30.0%	366,254	29.4%
Health and Environment	774,500	774,500	170,743	564,161	94.9%	130,725	96.6%
Park Maintenance	516,730	516,730	104,223	42,893	28.5%	84,947	18.4%
Community Development	1,472,994	1,472,994	310,136	0	21.1%	308,789	24.4%
Annual Infrastructure Maintenance	0	0	0	0	0	0	0
Total Expenditures	**15,881,258**	**15,881,258**	**3,468,590**	**1,134,363**	29.0%	**3,495,069**	**32.0%**
Total Operating Surplus (-Deficit)	**41,720**	**(108,280)**	**(982,053)**			**135,298**	
Transfers To Other Funds	**525,000**	**525,000**	**0**	**0**		**0**	
Operating Revenues Over (under) Expenditures	**(483,280)**	**(633,280)**	**(982,053)**			**135,298**	

City of Creve Coeur
Statement of Revenues and Expenditures
As of September 30, 2017
FY 2018

	Annual Budget	Adjusted Budget	YTD Actual	YTD Encumb	Actual As % of Adjusted Budget	*2016 4th Qtr Actual*	*2016 Actual As % of Budget*
Municipal Enterprise Fund Revenues:							
Golf Course	385,350	385,350	145,176		37.7%	132,581	33.0%
Food Service	56,000	56,000	20,295		36.2%	17,659	32.1%
Ice Arena	614,995	614,995	124,529		20.2%	273,775	49.9%
Other Revenues	700	700	334		0.0%	72	36.0%
Capital Contribution	0	0	0		0.0%	0	0.0%
Total Revenue	**1,057,045**	**1,057,045**	**290,334**	**0**	**27.5%**	**424,087**	**42.2%**
Municipal Enterprise Fund Expenditures:							
Golf Course	489,653	489,653	145,109	8,465	31.4%	139,566	26.8%
Food Service	41,010	41,010	15,596	2,161	43.3%	10,293	30.9%
Ice Arena	528,588	532,483	111,223	9,629	22.7%	104,170	23.8%
Depreciation	0	0			0.0%	0	0.0%
Total Expenditures	**1,059,251**	**1,063,146**	**271,929**	**20,255**	**27.5%**	**254,029**	**27.4%**
Total Operating Surplus (-Deficit)	**(2,206)**	**(6,101)**	**(1,850)**	**0**		**170,059**	
Transfers to other Funds	**0**	**0**	**0**	**0**		**0**	
Operating Revenues Over (Under) Expenditures	**(2,206)**	**(6,101)**	**(1,850)**			**170,059**	

MEMORANDUM

DATE: September 19, 2017

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Budget Amendments

As pointed out in Matt Wohlberg's attached memo, a budget amendment is necessary to reallocate funds within the Capital Fund. Therefore, the following amendment is recommended for the FY2018 budget to account for the changes in expected construction costs within the Capital Fund:

1. Capital Fund
   a. Increase – Street & Sidewalks – Concrete (02-61-71-9510-18602) by $64,000
   b. Increase – Sidewalks (02-61-71-9510-18603) by $50,000
   c. Increase – Microsurfacing (02-61-71-9510-18604) by $5,000
   d. Decrease – Street & Sidewalks - Asphalt (02-61-71-9510-18601) by $100,000
   e. Decrease – Alden Lane Culvert Stormwater (02-61-71-9509-16525) by $19,000

Because the increases and decreases to the Capital Fund are equal, the net effect to the Capital Fund is $0. I would be pleased to respond to any questions.

DEPARTMENT OF PUBLIC WORKS
STAFF MEMORANDUM

DATE: September 19, 2017

TO: Lori Obermoeller, Director of Finance

CC: Jim Heines, Director of Public Works

FROM: Matt Wohlberg, P.E., City Engineer

SUBJECT: Request for Budget Adjustment
FY2018 Capital Improvement Plan

The Department of Public Works request the re-allocation of the roadway maintenance funding in the capital improvement fund to match the actual cost of the work for various accounts. This request does not change the amount of funding but assigns this funding according to the expected construction costs.

Requested Budget Adjustment
Funding for each account in the Capital Improvement Plan is estimated by staff when the budget is developed each winter and spring. Generally, these estimates accurately reflect the cost of the proposed work. However, the actual cost of each project or program not known until the projects are bid and constructed. When the estimated and actual costs are different, budget adjustments are necessary to provide the funding needed for each project.

The current request involves moving funding for roadway improvements from stormwater and roadway accounts with excess funding to those with funding shortfalls. The requested changes are outlined below:

Capital Improvement Fund Account		Current Funding	Requested Change	Resulting Funding
02-61-71-9509-16525	Alden Culvert Repair	$ 169,125	- $ 19,000	$ 150,125
02-61-71-9510-18601	Asphalt Streets	$ 450,000	- $100,000	$ 350,000
02-61-71-9510-18602	Concrete Streets	$ 400,000	+ $ 64,000	$ 464,000
02-61-71-9510-18603	Sidewalks	$ 50,000	+ $ 50,000	$ 100,000
02-61-71-9510-18604	Microsurfacing	$ 225,000	+ $ 5,000	$ 230,000
	Totals	$1,294,125	$ 0	$1,294,125

As shown above, this change involves no additional funding, just re-allocation of current funding.

Discussion
The reasoning behind each of the requested changes is briefly explained below.

- Alden Culvert Repair. The contract for the Alden Lane Culvert Repair Project included a bid alternate to make repairs to the adjacent cul-de-sac pavement. The cul-de-sac pavement is a "combination" street, with asphalt overlaid onto a concrete base. Removal of the asphalt surface found that none of the concrete base could be preserved. Staff recommends that the City's concrete contractor replace the cul-de-sac pavement through the Concrete Pavement Replacement Project. The requested budget adjustment would remove the funding from the culvert project that was designated for the pavement repairs on Alden Road.
- Asphalt Streets. A combination of an estimation error, good bid prices, and the use of none of the contingency items in the contract resulted in the City's recent resurfacing project being significantly under budget.
- Concrete Streets. Adding the Alden Lane cul-de-sac pavement to the Concrete Pavement Replacement Project will increase the work in that project by about $35,000. The proposed budget adjustment provides for this addition and for the scope of the program being slightly greater than initially estimated.
- Sidewalks. Increasing the scope of the microsurfacing program to include several streets with sidewalks added a significant amount of sidewalk work to this year's capital improvement program.
- Microsurfacing. The requested increase in the microsurfacing budget provides for street sweeping for the streets in the program. This cost will be approximately $2,000 - $3,000.

Please let me know if you would like to discuss anything related to this request.

MEMORANDUM

DATE: October 3, 2017

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Budget Amendments

As pointed out in Jim Heines's attached memo for contract approval, a budget amendment is necessary to allocate funds within the General Fund for leaf and limb debris hauling. Therefore, the following amendment is recommended for the FY2018 budget to account for these unexpected maintenance costs:

1. General Fund
   a. Increase – Building & Grounds Maintenance (01-31-41-6212) by $35,000

Because there is only a budget increase needed to the General Fund and no offsetting budget decrease, the net effect decreases the General Fund balance by $35,000. I would be pleased to respond to any questions.

DEPARTMENT OF PUBLIC WORKS
OFFICE MEMO

DATE: October 3, 2017

TO: Mark Perkins, City Administrator

FROM: Jim Heines, Director of Public Works

SUBJECT: Staff Recommendation - Leaf and Limb Debris Haul-Off Contract Award

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Background

For the past 5-6 years, Fick Supply Service Inc. has hauled off the leaf and limb chipping debris at no cost to the city. Fick Supply processed the material and used it on their contracted mulch jobs as well as selling the bulk material to contractors and the public.

Just recently Public works staff was informed by Dave Fick that due to a drop in the market, Fick Supply could no longer provide haul-off services at no cost. Staff immediately prepared a bid specification and made it available to contractors for bidding purposes.

On September 28, 2017, Public Works staff opened four sealed bids for leaf and limb debris haul-off services. The bid was set up as a one year contract with two 1-year extensions. The bid tab showing the proposed cost of services is attached for your convenience.

Fick Supply Services Inc was the low bidder overall proposing to haul off the wood chips at no cost to the city and the leaf debris at $2.50 per cubic yard (CY) for the first year, $2.60 per CY the second year and $2.70 per CY the third year. The quantities identified in the bid specification were estimated and based upon past years' haul-off services. Historically we collect approximately 12,000 CY of leaf debris will be hauled away each year. Therefore, the estimated cost for Fick Supply would be $30,000 for year 1.

Budget

Since Fick Supply Services has been hauling away the leaf and limb debris at no cost for the past 5-6 years, city staff has not budgeted any funding for the disposal of this debris. A budget adjustment will be necessary to fund these contract services. Staff recommends adding $35,000 to the Street Division operating budget in account # 01-31-41-6212 (Building and Grounds Maintenance). Although the amount in the budget adjustment is a little higher than the proposed bid price which was based on historical quantities, the extra funding will allow staff the flexibility to have all of the debris hauled away in the event that the leaf quantities collected by city staff are higher than expected.

Recommendation

Public Works staff recommends approving the proposal from **Fick Supply Service Inc.** for the leaf and limb debris haul off services for the Fall 2017 and Spring/Summer 2018 Seasons. The Council will be approving a unit cost of $0.00 per cubic yard for haul-off of wood chips and $2.50 per cubic yard for haul-off of leaf debris. Extensions for year two and three will be addressed after an annual review each year.

MEMORANDUM

DATE: October 26, 2017

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Budget Amendments

As pointed out in Matt Wohlberg's attached memo, a budget amendment is necessary to reallocate funds within the Capital Fund. Therefore, the following budget amendment is recommended for the FY2018 budget to account for the increased costs for the Dielmann HVAC, the Golf Cart Path Replacement project and the Emerson Road Improvement project within the Capital Fund:

1. Capital Fund
   a. Increase – Dielmann HVAC (02-61-71-9506-18309) by $49,200
   b. Increase – Golf Cart Path Replacement (02-61-71-9506-17319) by $65,000
   c. Increase – Emerson Road Improvement (02-61-71-9510-18701) by $7,000
   d. Decrease – Park Bridge Replacement (02-61-71-9506-17317) by $114,200
   e. Decrease – Street & Sidewalks - Asphalt (02-61-71-9510-18601) by $7,000

Because the increases and decreases to the Capital Fund are equal, the net effect to the Capital Fund is $0. I would be pleased to respond to any questions.

DEPARTMENT OF PUBLIC WORKS
STAFF MEMORANDUM

DATE: October 26, 2017

TO: Lori Obermoeller, Director of Finance

CC: Jim Heines, Director of Public Works
Jason Valvero, Director of Recreation

FROM: Matt Wohlberg, P.E., City Engineer

SUBJECT: Request for Budget Adjustment
FY2018 Capital Improvement Plan

The Department of Public Works requests the re-allocation of parks and roadway maintenance funding in the capital improvement fund to reflect the deferment of one project and to match the actual cost of the work for several projects.

Requested Budget Adjustment
The current request involves reallocating funding in the parks and roadway maintenance divisions of the capital improvement plan.

Park Development Projects. The budget adjustment for park improvement projects involves three (3) line items, as summarized below:

Capital Improvement Fund Account	FY2018 Funding	Requested Change	Resulting Funding
02-61-71-9506-17317 Park Bridge Replacement	$ 200,000	- $114,200	$ 85,800
02-61-71-9506-17319 Golf Cart Path Improvements	$ 335,000	+ $ 65,000	$ 400,000
02-61-71-9506-18309 Dielmann Complex HVAC	$ 70,800	+ $ 49,200	$ 120,000

- Park Bridge Replacement. The design and approval process for this project is taking longer than expected, and the start date for the project has become a concern. This project should not be started in the late winter or spring, because much of the work would be completed in the creek, and the project would have a high likelihood for delays due to rain and/or flooding. Staff recommends deferring this project to FY2019 so that the project can begin at a more appropriate time of year. Deferral of the project by one year should not put the Malcolm Terrace Park bridge in any additional jeopardy.
- Golf Cart Path Improvements. The budget increase for this project is required to fund a change order for more asphalt repairs to the cart paths than were originally included in the contract.
- Dielmann Complex HVAC. Bids for this project exceeded the engineer's estimate for the project and the project's budget that was set according to that estimate.

Street & Sidewalk Improvements. The budget adjustment for roadway improvement projects involves two (2) line items, as summarized below:

Capital Improvement Fund Account	FY2018 Funding	Requested Change	Resulting Funding
02-61-71-9510-18701 Emerson Road Improvements	$ 65,000	+ $ 7,000	$ 72,000
02-61-71-9510-18601 Streets & Sidewalks–Asphalt	$ 350,000	- $ 7,000	$ 343,000

- Emerson Road Improvements. The design fee for this project is higher than expected. Additional funds are needed to prepare easement documents.
- Streets & Sidewalks – Asphalt. Funding for the additional design of Emerson Road (an asphalt street) will be transferred from the asphalt streets account. The FY2018 asphalt pavement resurfacing project was less expensive than planned. The re-allocation of these funds will not decrease the amount of asphalt work planned for FY2018.

Please let me know if you would like to discuss anything related to this request.

RESOLUTION No. 987

RESOLUTION ADOPTING A FUND BALANCE POLICY FOR THE CITY OF CREVE COEUR

WHEREAS, the Creve Coeur City Council has determined that it is in the best interest of the City to formally adopt a Fund Balance Policy, and

WHEREAS, the City Council has enacted these policies in an effort to ensure financial security through the maintenance of a healthy reserve fund, and

WHEREAS, a Fund Balance Policy can help community leaders maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CREVE COEUR, THAT:

The policy statement attached hereto and marked Exhibit "A" entitled "CITY OF CREVE COEUR, MISSOURI, GOVERNMENTAL ACCOUNTING FUND BALANCE CLASSIFICATION AND POLICY," is hereby adopted.

Adopted this 28TH day of November, 2011.

Harold L. Dielmann
Mayor

Attest:

Deborah Ryan, MPCC
City Clerk

Communication: Fund Balance Policy (New Business)

CITY OF CREVE COEUR, MISSOURI

GOVERNMENTAL ACCOUNTING
FUND BALANCE CLASSIFICATIONS AND POLICY

Background

The Governmental Accounting Standards Board (GASB) is an independent, private-sector, not-for-profit organization that, through an open and thorough due process, establishes and improves standards of financial accounting and reporting for U.S. state and local governments. These governments and the accounting industry in general, recognize the GASB as the official source of authority for generally accepted accounting principles (GAAP) applicable to state and local governments. While the GASB does not have specific enforcement authority to require government to comply with its standards, compliance with the GASB's standard is enforced through the external audit process where auditors render opinions on the fairness of presentations in conformity with GAAP. In addition, the municipal bond industry places a great deal of importance on governments issuing debt to prepare their financial statements on a GAAP basis.

This policy addresses GASB Statement No. 54 which redefines the classification of fund balance in the governmental funds. Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, was issued in March 2009 to enhance how fund balance information is reported, to improve its usefulness in the decision making process and to provide fund balance categories and classifications that will be more easily understood. It further delineates fund balance based on the spendable makeup of the fund's cash and net assets portions fund balance. The previously used "Reserved" component of fund balance will be eliminated in favor of a new classification called Restricted Fund Balance. This will enhance the consistency between information reported in the government-wide statements and information in the governmental fund statements and avoid confusion about the relationship between Reserved Fund Balance and Restricted Net Assets. The requirements of this statement are effective for financial statements prepared for periods ending June 30, 2011 and thereafter. Therefore, it is effective for the City of Creve Coeur's June 30, 2011 financial statements and all subsequent annual financial statements until superseded.

Policy

Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. (Note – A somewhat similar term for the City's Enterprise Funds, such as the Dielmann Complex operation, would bet 'Net Assets'. However those recreation accounts are not required to be affected by this policy, but can and may be included for budgetary and internal reporting purposes.) Fund balance information is one of the most widely used elements of state and local government financial statements and is invaluable in the budgeting process.

The new standard for Fund Balance components requires that governmental funds report classifications that consist of a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those accounts can be spent. This includes external as well as internal constraints on the net assets contained within the fund's balance such as financial stabilization.

The City of Creve Coeur has enacted the following policy in an effort to ensure financial security through the maintenance of a healthy reserve fund that guides the creation, maintenance, and use of resources for financial stabilization purposes. The City's primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The City of Creve Coeur also seeks to maintain the highest possible credit ratings which are dependent, in part, on the City's maintenance of a healthy fund balance. Currently our rating is AAA.

It is the policy of the City of Creve Coeur to adhere to GASB Statements and to follow GAAP; therefore this policy is prepared in that spirit.

Definitions

Fund balance – The excess of assets over liabilities in a governmental fund.

Nonspendable fund balance – The portion of a governmental fund's net assets that are not in a spendable form or are required to be maintained intact.

Restricted fund balance – The portion of a governmental fund's net assets with self-imposed constraints or limitations that have been placed by the City Council, the highest level of decision making.

Committed fund Balance – The portion of a governmental fund's net assets with self-imposed constraints or limitations that have been placed by the City Council, the highest level of decision making.

Assigned fund balance – The portion of a governmental fund's net assets that the City intends to use for a specific purpose, intent expressed by a City Official to which the Council has designated authority.

Unassigned fund balance – Amounts that are available for any purpose, these amounts are reported only in the General Fund.

Procedure

The classifications of fund balance components (in declining order of constraint) according to Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions are: A. Non-spendable Fund Balance; B. Restricted Fund Balance; C. Committed Fund Balance; D. Assigned Fund Balance; and, E. Unassigned Fund Balance.

A. Non-spendable Fund Balance

   The Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either:

   (1) Not in spendable form; or,

   (2) Legally or contractually required to be maintained intact.

   The "not in spendable form" criterion includes items that are not expected to be converted to cash in the normal course of business, such as, inventories and prepaid amounts. It also includes items that are not convertible to cash in the near term, such as, the long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

B. Restricted Fund Balance

The Restricted Fund Balance classification includes amounts where constraints are placed on the use of those resources which are either:

(1) Externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or,
(2) Imposed by law through constitutional provisions or enabling legislation.

C. Committed Fund Balance

The Committed Fund Balance classification includes amounts which can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified amounts by use of the same formal action that it employed to previously commit those amounts.

D. Assigned Fund Balance

The Assigned Fund Balance classification includes amounts which are constrained by city management's intent for these to be used for a specific purpose but are neither formally restricted by external sources nor committed by City Council action. For the City of Creve Coeur, at this time no city official will be empowered to assign fund balance without City Council approval.

Assigned fund balance would also include all remaining amounts (except for negative balances) that are reported in governmental funds other than the General Fund that are not already classified as non-spendable, restricted or committed. These amounts are considered Assigned by definition, rather than by Administrative action, since they are placed in a governmental fund separate from the General Fund. These would include: special revenue funds, capital project funds, debt service fund, or permanent funds.

Assignment within the General Fund conveys that the intended use of these amounts is for a specific purpose that is narrower than the general purposes of the government itself. However, the City cannot report an assignment for an amount to a specific purpose if the amount would result in a deficit in unassigned fund balance.

E. Unassigned Fund Balance

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The General Fund will be the only fund that reports a positive unassigned fund balance amount. In the other governmental funds if the assigned fund balance is negative it will be necessary to report it as a negative unassigned fund balance.

F. Use of Restricted or Unrestricted Fund Balance

When an option exists for the use of fund balance components the classification with the greatest eligible degree of constraint should be used first. This will be followed by succeeding fund balance components with a lesser degree of constraint. The order in the use of funds therefore would be Restricted, Committed, Assigned and Unassigned to the extent that each category is eligible.

General Fund Stabilization Balance Policy

The Fund Balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain a rolling beginning fund balance of not less than 33.33% of average annual operating expenditures for the prior two fiscal years. Should the balance fall below 33.33% the City will identify a plan to restore the Fund Balance to its target amount as part of the budget proposal.

The City's basic goal is to maintain annual expenditure increases at a conservative growth rate, and to limit expenditures to anticipated revenues in order to maintain a structurally balanced budget. The decision to retain a fund balance of not less than 33.33% of operating expenditures stems from the following considerations

- This amount provides adequate funding to cover approximately 4 months of operating expenses.
- It provides the liquidity necessary to accommodate the City's uneven cash flow, which is inherent in its periodic tax collection schedule.
- It provides the liquidity to respond to contingent liabilities.

Fund balance may be accessed under the following conditions:

- To draw down the City's fund balance to the recommended funding rate by using these funds for capital expenditures, long term obligations or debt service needs.
- To respond to emergency funding necessities.

The City will spend the most restricted dollars before less restricted in the following order, except as noted above:

a. Nonspendable (if funds become spendable)
b. Restricted
c. Committed
d. Assigned
e. Unassigned

For capital funds and special revenue funds, a fund balance level has not been established as the underlying goal is to spend available revenue sources on a number of planned projects that are a part of the 5-year capital improvement plan and other committed expenditures. However, for the purposes of budgeting, the unspent appropriations from prior budgetary periods will be classified within the definitions of GASB 54 Fund Balance for internal purposes.

This policy has been approved by the City Administrator and Director of Finance, and adopted by the City Council by Resolution No. 987. The Fund Balance Policy will be reviewed biannually and can be adjusted at any time by action of the City Council

City of Creve Coeur
Finance Committee
FY18 Meeting Schedule

DATE	TOPIC
July 25, 2017	Prop P Policy Draft
September 5, 2017	Review of 4th Qtr Financials and Year-End, Discussion of Revenue Options
November 7, 2017	Review of 1st Quarter Financials, Further Discussion of Revenue Options
February 13, 2018	Review of 2nd Quarter Financials, Review of Financial Policies
March 6, 2018	Review of Proposed 5-Year Capital Plan
March 20, 2018	Review of Proposed 5-Year Capital Plan
April 24, 2018	Review Proposed Budget Preview
May 8, 2018	Review of Proposed Budget, Review 3rd Quarter Financials
June 5, 2018	Further Review of Proposed Budget, Olive/Graeser TDD Audit (every 3 years)

FINANCE COMMITTEE PRIORITIES

- As part of the budget review process, evaluate economic justification and risks of proposed single-project capital and operational expenditures in excess of $100,000 or a combination of multiple similar projects or the aggregate value of multi-year projects over $1 million.
- Review proposed financing, bond indebtedness, taxation and leases greater than $10,000 prior to council action.
- Review project closeout reports for scope, schedule and cost variation.
- Periodically review and comment on the surplus funds investment policy and financial performance.
- Review opportunities for cooperative purchasing or contracting ventures with other municipalities.