Finance Committee
Committee Meeting Agenda
April 24, 2018
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 March 20, 2018 Finance Committee Meeting Minutes

5. **Reports**

    Chairperson

    Audit Committee

    Pension Board

    Building Task Force

6. **Finance Director Buisness**
7. **Unfinished Business**

    Mr. Kutta's Memo on Revenue and Cost Realignment

    Mr. Kent's Memo to Committee

    Fiscal Impact Analysis of Large Development Policy

    Methods for Economic Evaluation

8. **New Business**

    Review The FY19 Preliminary Operating Budget

9. **Other Business**
10. **Public Comments**
11. **Meeting Schedule**

    FY18 Meeting Schedule

12. Adjourn

Finance Committee
Committee Meeting Minutes
March 20, 2018
5:30 PM
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1. Call to Order

2. Roll Call

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

3. Approval of Agenda

Approval of Agenda

RESULT:	**APPROVED [UNANIMOUS]**
MOVER:	Marjorie Richter, Board Member
SECONDER:	Richard Kutta, Vice-Chairperson
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

4. Approval of Minutes

Approval of March 6, 2018 Finance Committee Meeting Minutes

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

5. Public Comments

Public not in attendance.

6. Reports

Chairperson

No report given

Audit Committee

No report given

Pension Board

Mr. Potaschnick gave a brief synopsis on an article from Berans dealing with pension funding.

Building Task Force

No report

Council Liaison

Mr. Faron stated he placed the letter to the Council from the Finance Committee on the dais for the members to review at the last Council meeting. The Council will have more opportunity to discuss the letter at their next meeting.

7. Finance Director Business

No business to discuss at this time.

8. Unfinished Business

Revenues and Expenditures-Council Work Session 2-26-18

Mr. Hellwege asked what the shortage will be for the next fiscal year for the budget. Ms. Obermoeller stated that it will be very close to the City's five year projections. There is a $1.1 million deficient budgeted for next year. Revenues are coming in a little better than the five year trend is stating, could be around a $900,000 deficient this does not include transfers.

Mr. Perkins reviewed the proposed salary increase for City staff and the elimination of three current positions. The positions are a Public Works maintenance worker I, Police Traffic Safety Officer, which part of the salary was funded thru a grant, and last a Police Support Services Aid. A part-time person will be hired to replace the Police Support Services position. The cost savings is around $150,000. The Civil Engineer position in Public works will be moved to the Capital Improvement Fund. This will relieve another $80,000 from the General Fund expenses.

The City Council looked at current services the City provides, specifically the leaf and limb services. The Staff is suggesting to Council to scale back the leaf vacuuming in the fall from four to three pickups and in spring from two to one pick up. Staff is also proprosing reducing limb chipping in some way during the summer months when there is less usage. Meetings have been held with each Department head and going thru their budgets line item by line item. It's been very productive and producing a reduction of their budgets.

Alternatives for Expenditure Reductions and Revenue Enhancements - 2018

Mr. Perkins discussed the Gross Receipts tax for the residential and commercial rates stating the City

Council is looking at all rates to see where an increase is possible. Currently, the City Council is looking at increasing the tax from around 1/2 percent to 1 percent. This would increase revenues approximately $350,000 to $700,000. The Committee discussed the option of putting the residential rate back to 7% from when the City reduced the rate when the revenue was not needed. Other areas the City needs to look at a possible increase in fees is the Business License tax, adding a Parks and Storm Water tax and looking for other revenue possibilities. The City will first look at the taxes that do not require a vote to increase and then take a more serious look at those that do require the vote of the people.

The Committee discussed when to add the various tax increase proposals to the ballet and which elections.

Mr. Kutta submitted a draft letter discussing the alternatives for expenditure reductions and revenue enhancements to Ms. Obermoeller. The letter will be added to the agenda for the next Finance Committee meeting scheduled for April 24, 2018.

Long Term Financial Projections

Review Proposed 5-Year Capital Plan

Mr. Hellwege asked if there was a possibility to apply for grants to cover the log cabin rehabilitations. Mr. Perkins stated the City has looked in the past and will continue to pursue funding in that area. Mr. Faron asked if there was an evaluation process that could be used to reach out to volunteer groups to help with the cost and rehabilitation. Mr. Perkins stated the Staff is in the process of getting an evaluation of the historical buildings in the City that will provide the cost and scope of the repairs needed.

Mr. Hellwege questioned the street reconstruction rating for Magna Carta Drive. Mr. Perkins stated that the streets score of 58 is not great and the street is on the City's list for repair in the next year or two. The City wanted to wait until the completion of the Police building and concrete work on Runny Meade before starting repairs on Magna Carta.

The Committee discussed the 39 North project and the financial impact for the City. Mr. Perkins stated that a lot of the cost will be covered by grants. The Old Olive Street Road is currently MODOT's responsibility and the cost of the needed improvements will be paid for by MODOT. Once completed MODOT will release the road to the City.

The Committee recommended Ms. Obermoeller draft a letter to Council recommending accepting the proposed 5-Year Capital Improvement Plan budget and to include the two questions that Mr. Hellwege asked concerning the rehabilitation of the historical log cabins, obtaining grants to help cover the cost and the street reconstruction for Magna Carta.

Mr. Kutta motioned that the Finance Committee endures the Capital Improvement Plan as drafted subject to some minor issues that the Chair will delineate.

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RESULT:	**ADOPTED [UNANIMOUS]**
MOVER:	Richard Kutta, Vice-Chairperson
SECONDER:	Tim Fogerty, Board Member
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

1. **Memo FY19-23 Proposed CIP**
2. **Exhibit A CIP FY19-23 spreadsheet**
3. **Exhibit B CIP FY19-23 Project Sheets**
4. **Exhibit C CIP FY19-23 Citizens Recommendations**
5. **Exhibit D CIP FY14-23 Brief Overview Spreadsheet**
6. **Exhibit E Future Project List**

Fiscal Impact Analysis of Large Development Policy

RESULT:	**DEFERRED [UNANIMOUS]**
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

Methods for Economic Evaluation

RESULT:	**DEFERRED [UNANIMOUS]**
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

Prop P Policy Follow Up

RESULT:	**DEFERRED [UNANIMOUS]**
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

Fund Balance Policy Follow Up

RESULT:	**DEFERRED [UNANIMOUS]**
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

9. New Business

Mr. Kent's Memo to Committee

The Committee discussed Mr. Kent's memo addressed to the Finance Committee. The Committee requested the Staff to present a report outlining the cost of all employees whether full-time, part-time, seasonal or temporary. Mr. Perkins explained what services are contracted out for maintaining the Parks, mowing, medians, and the Olive 270 interchange. Mr. Perkins stated that the Street department does maintain some medians around the City and maintains the Government Center grounds with the help of temporary services.

Mr. Kutta recommended deferring Mr. Kent's memo to the next scheduled meeting for further review and discussion. The Committee agreed to defer the memo to the next meeting scheduled on April 24, 2018.

RESULT:	**DEFERRED [UNANIMOUS]**
MOVER:	Richard Kutta, Vice-Chairperson
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

Change Order Process-Police Station

Mr. Perkins reviewed with the Committee the change order process for the new Police Station building. The City's current purchasing policy does not handle projects of this magnitude which allows the City Administrator to approve up to $50,000 in change orders before the changes have to go before City Council for approval. The Council is currently approving some change orders that are owner directed which includes a safety retaining wall, landscaping, and other cosmetic enhancements. The City needs to revise the current policy so that if there are additional change orders the City Administrator would have the authority to approve the additional change orders so the project could keep moving forward. The proposed change to the City Council would authorize the City Administrator to approve additional change orders up to an additional $20,000 on a project by project basis.

The Committee further discussed the procedure and approval process for recommended changes to the project. The changes are reviewed by the architect, engineer and project manager and approves the change if deemed necessary.

10. Other Business

11. Public Comments

12. Meeting Schedule

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FY18 Meeting Schedule

RESULT:	**DEFERRED [UNANIMOUS]**
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles, Shulenburger

13. Adjourn

Meeting adjourned at 7:16 PM

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

Finance Committee

April 20, 2018

DRAFT FOR REVIEW

Mayor and City Council
City of Creve Coeur Missouri
Creve Coeur MO 63141

Re: Revenue and Cost Realignment

Honorable Mayor and City Council:

This responds to Council's request for recommendations to reduce the fiscal deficit forecast for FY2018. For the last several years Creve Coeur has had the good fortune to experience an annual fiscal surplus of $1 to 1.5 million excluding operating transfer out, a condition that has changed. The FY2018 forecast is for an operating surplus of $270,000 in 2018, before transfers to capital fund. The deficit could increase to $1.493 million excluding transfers out in 2023. The deficit flows primarily from static revenues and increasing operating costs. The largest source of revenue decline is significantly reduced municipal court fines, but that alone does not explain the situation. Unless deficit reduction begins immediately, the estimated ending reserve fund balance for FY2018 of $13.8 million is forecast to drop to $8.854 million by FY2023, impairing our ability to accommodate unplanned events. The Finance Committee recommends a phased plan that realigns revenues and expenditures with the goal of forecasting an operating surplus, coordinated with the actual experience of the prior year. Following is a proposal for immediate action and a 6-month study effort to realign costs with revenues, with the goal of producing an immediate $500,000 deficit reduction the first year, followed by $1, $1.5, and $2 million phased deficit reductions during subsequent years.

I. <u>Immediate Actions</u>

Several actions totaling $500,000 are recommended for immediate incorporation into the 2018-19 budget:

- Reduce annual salary increase and/or decrease dependent health insurance contribution [$78,000 cost reduction];
- Defer or eliminate hiring three replacement employees [$138,000 cost reduction];
- Increase residential electric utility franchise tax to the prior 7.0% rate [$190,000 revenue increase];
- Change limb chipping to an on-demand program with goal of reducing from 6 to 4 annual pickups and encourage residents to increase use of yard waste for sticks [$50,000 cost reduction];
- Decrease transfer to capital improvement budget to achieve total $500,000 deficit reduction;
- Accelerate implementation of the new cost accounting system to determine actual cost of maintaining each city property; and
- Benchmark utility costs for all city facilities and develop a utility cost-reduction program.

Defer consideration of service reductions for leaf, trash and recycling pick up until the cost reduction study is completed.

II. Phased Actions

A. Cost Reduction:

Although cost-reductions can't rectify a $1 million deficit, we recommend undertaking an immediate effort to identify and reduce or eliminate expenditures. Since 71.7% of City expenditures involve labor cost, which have increased annually, the expected focus is on labor-intensive activities, which accrue primarily from policing and public works. Operating costs will increase by new costs to operate the new Police Department building. We suggest the appointment of one task force to include members from Police Operations, drawn from the Police Committee, and Public Works Operations, drawn from the Storm Water Committee, chartered to study each department and report back specific areas having opportunity to reduce expenses through eliminating certain activities and improving the efficiency of others. Services that may be studied include:

1. Eliminate or change distribution of newsletter;
2. Improve, outsource, or reduce frequency of leaf collection;
3. Improve, outsource, or reduce frequency of limb chipping;
4. Reduce frequency of recycling collection;
5. Reduce annual transfer to capital budget;
6. Consolidate municipal court services with another municipality; and
7. Limit matching grants, to reduce cost match and project management costs.

Since access to cost data is critical, support is needed from the Director of Finance and a senior manager from each department. We recommend that the task forces consist of 3-5 citizens nominated by Council and Mayor, and report to the City Manager at least every other month and finally by the end of this year.

B. Revenue Increase:

There are several options available to increase City revenue:

1. Increasing sales, gross receipts tax, or real estate tax rates;
2. Increasing business license fees;
3. Increasing capital improvement sales tax;
4. Taxing new sources, such as levying a use tax and/or a park and storm water tax;
5. Assessing user fees for a portion of trash collection and/or recycling collection;
6. Increasing service charges such as for building or zoning permits; and
7. Audit business licenses and improve the assessment method.

To this end the Finance Committee will form a revenue increase subcommittee that will meet on alternate months to define, analyze, and recommend improvements to City's revenues. Subcommittee meetings will be public.

Sincerely,

J. Phillip Hellwege, Chair
Finance Committee

From: ROBERT Kent <bobsbrokenheart@att.net>
Sent: Saturday, March 03, 2018 1:35 PM
To: Adam Shulenburger <adam@shulenburgerlaw.com>; Richard Kutta <richardkutta@earthlink.net>; Tim Fogerty <fogbus@swbell.net>
Subject: REAL COST REDUCTION

POSITIVE POLICIES..................ABSOLUTE ACCOUNTABILITY..........................TOTAL TRANSPARENCY

Members of the Finance Committee;

If you really want to address realistic Cost Reduction in Creve Coeur, you first have to have all of the marbles in the ring. Mr. Perkins talks about the 109 full time employees. I did not see any references to the 90 part-time employees (The last time I looked) or the $100,000 per year being spent on temporary employees.

So, the first thing thing is you ought to do is get a complete list of all of the employees from the Finance Director so you have a complete picture.

How about a sub-committee to examine the job description and duties of each employee? Do you really need all of them? Can you really justify each one?

Could you use independent contractors instead? For instance as I have discussed before the State trains and certifies Independent Building Inspectors. Could you use them over at the Hospital? You sure wouldn't be paying LAGERS on them!.

The City Engineer could be replaced with an independent Consultant to be used as on CIP projects as required. eliminating the City Engineer would not only save the salary and benefits you would save millions (Or at least hundreds of thousands) just on his screw-ups. (Mosley Road Mess; Missing half the curbs on Greaser; 300 tons of rock missed on Dr. Saunders street plus the continued thousands and thousands spent on Princetown and others continuing removing asphalt from combination streets only to find that the concrete has to come out also. Why is he being protected?)

Has anyone looked at getting bids for doing all of the street maintenance on a ten year contract to keep all of the streets up to specific standard and get rid of the combination streets?

Why don't you check with Town & country, Ladue and Frontenac? They use private companies for leaf & limb collection and other services. or combine with them to utilize trucks that cost a quarter of million dollars and only get used 3 or 4 thousand miles a year. Why not private snow removal?

Communication: Mr. Kent's Memo to Committee (Unfinished Business)

I have included a picture of the multi-million dollars worth of building & equipment on Rue de la Banque. This doesn't include the stash on Lindbergh.

Fogerty, I fixed your buildings down in the City. I know you did not run your business this way and I doubt the rest of you do

.

The question is are you really going to do something about the opportunities to save money in the Public Works and the Dielmann Complex or are you just going to keep on rubber stamping the status quo because you cannot take the heat from the Glantz Administration?

Will you really look at the Taxpayer money as if it were your own, or will you just continue to be part of the rubber stamp approval process along with the Planning & Zoning Commission and the Groupthink Council.

The time of reckoning has arrived. It is to time do some real cost reduction or raise taxes. The Glantz Administration wants to make small show of cost reduction (Call it pass the buck not really cost reduction) and then raise taxes in whatever way they can with the least backlash and tell everyone how wonderful everything is and what a great job is being done.

At 88, I still think there may be a stand-up guy or two left in this City.

We will soon know!.

Kind regards,

Bob Kent

<u>**FINANCE COMMITTEE DISCUSSION DRAFT**</u>

Fiscal Impact Analysis of Large Development Projects

(Rev 0)

A Fiscal Note shall be prepared for private or public development projects. Qualifying projects are those requiring authorizing legislation such as a zoning change, Conditional Use Permit, or unreimbursed expenditure that are expected to generate additional municipal revenue and cost. Only measurable cash flows shall be considered, excluding secondary economic development effects, social, or environmental impacts. Community Development staff shall provide Fiscal Note to City Council prior to first reading of the authorizing legislation.

Fiscal Note shall include typical revenue sources such as: sales, use and property tax, real estate tax and utility franchise fees. Costs are increases to municipal operating costs such as public works, police, administration, and community development following proposal adoption. The project developer shall provide the Community Development Department with estimated taxable sales revenue, employees, operating hours, customer traffic and other factors. City staff departments shall estimate employee effort hours directly traceable to project approval and operation. Projects expected to incur less than $50,000 annual incremental operating cost are exempt. All projects expected to incur unreimbursed incremental capital cost shall have a Fiscal Note. A six-year planning horizon shall be used.

The fiscal statement result is the base marginal benefit/cost ratio, determined by assessing the change in municipal revenue and expenses, with and without the project. A sensitivity analysis shall be performed by comparing base and adjusted marginal benefit/cost ratio calculated by increasing operating costs 25% and reducing benefit 25%.

FINANCE COMMITTEE DISCUSSION DRAFT

Methods for Economic Evaluation

City procurement guidelines require awarding procurement contacts to the lowest and best bidder, including consideration for life-cycle cost and return on investment in addition to initial cost. [Chapter 140: Finances, Section 140.030 General Guidelines]. An evaluation method is not indicated. This discusses methods for performing economic evaluation among alternatives and guides their use.

LIFE CYCLE COST

Forecasts cash flow over the life of an investment, beginning with first cost (purchase price or contract amount) followed by cash flows (annual expenses and revenues) over the projected life. Some municipal projects may involve cash inflow, such as revenue generated through use.

BENEFIT-COST RATIO

Compares cumulative cash flow over expected life divided by first cost.

BC = [cumulative annual cash flow] / [first cost]

Projects with positive cash flow will have a ratio greater than 1 whereas projects with outflows only will have a ratio less than 1. In both cases, outcomes with higher ratios are preferred economically.

RETURN ON INVESTMENT

Determines which of several investment alternatives produces the higher return, assuming all other characteristics such as risk and social value are equivalent. The analysis outcome prefers selecting the alternative having the highest time value of money (rate of return) as it makes the best use of limited funds. The time value of money is included by reducing the future value of cash flow to a lower present value by applying a discount rate, determined from the cost of municipal borrowing.

The simplest method appropriate to decision magnitude and risk is preferred; employing a complicated method makes the decision process slow, costly and obscures understanding. Projects with life less than 10 years and/or capital cost less than $50,000 don't justify discounting.

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.