Finance Committee
Committee Meeting Agenda
May 15, 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 April 24, 2018 Finance Committee Meeting Minutes

5. **Reports**

   Chairperson

   Audit Committee

   Pension Board

   Building Task Force

   A. **Approved Change Orders**
   B. **March 2018 Project Dashboard**

6. **Finance Director Business**

   Review 3rd Quarter Financials

7. **Unfinished Business**

   Mr. Kutta's Memo on Revenue and Cost Realignment

   Review The FY19 Preliminary Operating Budget

   Mr. Kent's Memo to Committee

   Fiscal Impact Analysis of Large Development Policy

   Methods for Economic Evaluation

8. **New Business**
9. **Other Business**

Finance Committee
Committee Meeting Agenda
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10. Meeting Schedule

FY18 Meeting Schedule

FY19 Proposed Meeting Schedule

11. Public Comments

12. Adjourn

Finance Committee
Committee Meeting Minutes
April 24, 2018
5:30 PM
Administrative Conference Room
300 N New Ballas Rd

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	
Phillip Hellwege	Chairperson	
Tim Fogerty	Board Member	
Debbie Loso	Assistant	
Lori Obermoeller	Director of Finance	
Mark Perkins	City Administrator	
Tracy Brothers	Finance Clerk	

3. Approval of Agenda

Motion to Approve Agenda

RESULT:	**ADOPTED [UNANIMOUS]**
MOVER:	Richard Kutta, Marjorie Richter
AYES:	Kutta, Potashnick, Richter, Shulenburger, Hellwege, Fogerty
ABSENT:	Abeles

4. Approval of Minutes

Approval of March 20, 2018 Finance Committee Meeting Minutes

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

5. Reports

Chairperson

Audit Committee

Pension Board

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Mr. Potashnick stated the Pension Board meeting rescheduled for a later date.

Building Task Force

Mr. Kutta requested that when a status report is issued that the report is forwarded to Ms. Obermoeller to be submitted with the next Finance Committee meetings agenda for informational purposes. Mr. Kutta also stated he would like the Committee to discuss extraordinary cost, schedule delays, problems that arise, etc.

6. Finance Director Buisness

Nothing new to report.

7. Unfinished Business

Mr. Kutta's Memo on Revenue and Cost Realignment

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

Mr. Kent's Memo to Committee

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

Fiscal Impact Analysis of Large Development Policy

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

Methods for Economic Evaluation

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

8. New Business

Review The FY19 Preliminary Operating Budget

Mr. Perkins reviewed the new Public Safety Sales Tax Revenue Policy that was added to the FY19

Preliminary Operating Budget. Mr. Perkins stated going forward the City will review once the City starts receiving the revenue on a regular basis and determine if the allocation is appropriate. The initial thought was to increase the pension liability reserve. The City created a new fund for this sales tax revenue and can ear mark certain dollar amounts to be set aside for specific expenses. Committee requested a narrative be included to the budget outlining the reserved funds. The Committee discussed how other Cities are handling or reporting the use of the funds. Creve Coeur is one of two cities so far that have created a separate fund for the revenue. Other Cities are commingling the revenue with the general fund revenues.

Mr. Kutta suggested adding a discussion of the Municipal Court to the Mr. Perkins transmittal letter.

The Committee discussed the Enterprise fund balance. Staff would like to keep the fund balance to use as operating funds. The fund is still not able to pay for any major cost repairs. The Capital Improvement fund currently covers all repair costs for the Ice Arena. The Ice Arena is currently needing to repair a wooden beam that is cracking. The repair cost could be around $100,000. Further discussion was held on the fee structure for rounds of golf.

Mr. Perkins stated the City was able to get close to the balancing revenues with expenditures by the reduction of personnel, smaller raises, and a .5 utility tax increase. These changes have been noted in the transmittal letter and in the assumptions. These changes do not eliminate the growing deficit in the General Fund as the budget shows starting in the year 2020 and going forward.

Question was asked about the difference from operating expenses between the years 2017-2019 of $4 million. Staff will look into this difference as to why the police building expenses are showing in the operating expenses.

Ms. Obermoeller reviewed the projected revenues. As mentioned before the City is increasing the property tax rate to the ceiling which is allowed by law. This will generate an additional $100,000 in revenue for FY19. Building permits increased in FY18 due to an increase in activity but for budgeting purposes the City has kept the budgeted around amount the same for FY19 as in past years.

The Committee discussed the operating cost of the Building Division verses the revenue brought in by the department. Mr. Perkins stated an analysis of the department shows the cost to be running around 80 to 90 percent over a three year period in covering the cost of the department. The City is looking at increasing the fees for the Building Department. The Committee further discussed the option of St. Louis County taking over the Building Department for the City. The City will still have cost associated with nuisance complaints.

Mr. Potashnick asked the question about what other departments do not cover their operating cost. Mr. Perkins stated that no other department covers their cost. The Building department is one of the City's department's that their revenues cover most of their cost.

Ms. Obermoeller reviewed the utility fees. The City did increase .5 percent for all utilities. The electric utility budget received $180,000 from a law suit settlement in FY18 so the budgeted amount for FY19 doesn't look like it was increased by the .5 percent. The Committee discussed the Cable utility revenue. Currently there is a law suit going after dish network providers to pay their share of the utility tax. The Cable utility revenue is decreasing due to consumer dropping cable and using alternative methods of watching TV. Ms. Obermoeller stated most of the other revenues were budgeted flat. The City is not excepting an increase in the other revenue areas.

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Mr. Perkins stated the City is planning on conducting an audit of the businesses located in the City to confirm they have a current business license. A part-time person will be going door to door to collect the business names that are conducting business in the City. The revenue for business licenses is slightly up for FY18 due to several business's paying their license and penalties for not having a current business license. For FY19 the City has budgeted the normal $190,000 that is usually collected for the business license tax. Any increase or change in business license tax rates has to be approved by a vote of the people.

Mr. Perkins discussed the City breaking out and adding the Legal Department to the budget. Previously the City attorney's fees were in legislative. The new rules state that you can not show your prosecutor in the same department as your court. The City separated out the City attorney, prosecutor and the prosecuting assistant and moved their expenses into the newly created Legal Department. The Committee discussed going out for bid on for the City Attorney. Mr. Perkins stated the City has not gone out to bid and that they do compare rates. The City attorney has not raised the rate that much and the firm does a fair amount of municipal work for other Cities. The City benefits from this resource by the City attorney sharing information he learns from what other municipalities are doing.

Mr. Kutta asked about the public officials and finance directors liability insurance. The question was raised about increasing the deductible to lower the cost. Ms. Obermoeller stated she would look into and get back to the committee.

The Committee discussed the Police department moving to 12 hour shifts. This shift to 12 hour days is the norm among police departments. Currently the patrolmen work a 5/3 shift working 1980 hours a year. This change in shift hours will put the Officers working 2080 hours which is the same as all other employees. The Public Safety fund budget includes training that was once covered by fees collected through the Municipal Court. Surveillance cameras for parks and body cameras have also been budgeted. There are currently a couple of officers that have body cameras. The City is slowly moving towards adding the body cameras. The officers all have lapel recorders and in-car cameras.

The Sewer Lateral fund is showing an increase in the fund balance due to the reduction in reimbursements for the sewer lateral repair. The City currently reimburses 50 percent of the cost of repairs. A question is being included on the City survey concerning increasing the percentage the City reimburses with a $50.00 cost increase to residents.

The Committee would like to discuss Mr. Kutta's letter as the first item at the next scheduled meeting. An electronic version will be sent out for the Committee's comments or additions.

As a recap the Committee would like to add further information or to discuss the following bullet points;

1. Add narrative outlining reserved funds to the Public Safety Fund
2. Add to Mr. Perkins transmittal letter a discussion of the declining Municipal Court revenues
3. Look into the $4 million operating expense difference in the General Fund between years 2017-2019
4. Discuss options for outsourcing the Building Department
5. Reviewing the City departments cost versus income generated by each department
6. Investigate increasing deductible for Public Officials and Finance Director's liability insurance

to decrease cost.

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

9. Other Business

10. Public Comments

11. Meeting Schedule

FY18 Meeting Schedule

The scheduled meeting on May 8, 2018 has been rescheduled for May 15, 2018. Ms. Obermoeller will be gone to the GFOA conference that week. A new proposed meeting scheduled will be provided the next meeting for the Committees approval.

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

12. Adjourn

Motion to Adjourn meeting

RESULT:	**APPROVED [5 TO 0]**
MOVER:	Larry Potashnick, Board Member
SECONDER:	Richard Kutta, Vice-Chairperson
AYES:	Kutta, Potashnick, Richter, Hellwege, Fogerty
ABSENT:	Abeles
AWAY:	Shulenburger

Creve Coeur Police Department
Construction Contract & Contingency

PARIC NAVIGATE BUILDING SOLUTIONS

United COR#	Directive	Description	Recommended for Approval	United Construction Contract	Contingency Balance	Change Order #
		Base Contract Amount		**$ 7,351,000**	**$ 942,620**	
n/a	Alternate #5	All Copper Plumbing ILO PEX	$ 27,300	$ 7,378,300	$ 915,320	1
n/a	Bid Alternate	Builder's Risk Policy	$ 17,000	$ 7,395,300	$ 898,320	2
001	Site Conditions	Irrigation Main Relocation	$ 9,270	$ 7,404,570	$ 889,050	3
002	n/a	Roof Thickness Upgrade to 80 mil	$ 8,990	$ 7,413,560	$ 880,060	4
003	WCPR-003	Retaining Wall Additions	$ 25,055	$ 7,438,615	$ 855,005	5
		Totals	$ 87,615			

Upda

PARIC EXPERIENCE. EXCELLENCE. NAVIGATE BUILDING SOLUTIONS

04/13/2018
City of Creve Coeur
Creve Coeur Police Department

MONTHLY PROJECT DASHBOARD – March 2018

Project Schedule Update

- Site Storm Sewer complete
- Building Pad install ongoing
- Abandonment of Existing Sanitary Lateral complete
- Temporary Construction Road install complete
- Significant rainfall in March has hindered progress onsite.

4 Week Look-A-Head

- Install domestic and fire waterline
- Complete building pad
- Start footings

Total Project Financial Summary

Post Bid Budget:	$10,332,347
Changes to Budget:	None
Current Budget:	$10,332,347

United Construction Contract

Original Contract:	$7,351,000
Changes to Date:	$87,615
Current Contract:	$7,438,615

Cash Flow/Projections

Anticipated Change Orders:

- Soil/Rock Remediation
- Post Bid Addendum #4
- AHJ Required Changes
- Door Hardware Changes
- MOAW Waterline Changes
- Reconciliation of Manhole A & 5 per MSD
- Oil Interceptor & Drains at Sallyport

Contingency / Allowances

Original Contingency:	$942,620
Contingency Spent:	$87,615
Anticipated Changes:	$242,422
Anticipated Cont. Remaining:	$612,583

Completion Date

Contractual Substantial Completion Date: *March 2019**

Targeted Owner Move-In Date: *April 2019**

**Adjusted per issuance of MOAW Tap Permit*

Owner Hot List / Risks

- Schedule Risks
  -Weather
- Budget Risks
  -No current foreseeable risks; all risks being tracked on the CO logs
- Misc Items:
  -None at this time.

Outstanding Submittals & Requests for Information (RFI)

- The following RFIs are outstanding:
  -RFI-002 & 003 outstanding
  -Up to RFI-012
- Critical submittals are:
  -Doors, Frames & Hardware
  -Cast Stone
  -Masonry Rebar
  -Aluminum Storefronts

Schedule/Weather Delays

Weather Delays to Date: 0

- *Jan - Feb 2018 – 0 days*
- *Mar 2018 – 8 days claimed*

(4 owed per contract in March; claim currently under review)

Schedule Delays to Date: 0

- *Jan - Mar 2018 – 0 days*

(See weather days above)

Total Delays to Date: 0*

- *Jan - Mar 2018 – 4 days*

(In review)

**NTP issued 3/21/18*
***All days above are as of 3/31/18*

MEMORANDUM

DATE: April 18, 2018

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Third Quarter FY 2018 Financial Analysis

Attached is the financial report for the General Fund, the Municipal Enterprise Fund, the Capital Fund, the Sewer Lateral Fund and the Public Safety Fund for the 3rd quarter of FY 2018. The significant fluctuations are summarized below:

1. **General Fund**
   a. Revenues
      Overall, year-to-date revenues for FY 2018 are $422,417 higher than the same time period for FY 2017. The increases are primarily in the areas of:
      - Utility Taxes – up $192,001, but $179,516 of this was due to a one-time lawsuit settlement from Ameren
      - Intergovernmental - up $224,147, with sales tax $281,000 higher than last year, but County Road and Bridge tax is down about $62,000
      - Licenses and Permits – up $138,708 due to an increase in business license revenue ($54,519 mostly timing) and an increase in building permits (up $87,000)
      - Interest Revenue – up $67,397 due to an increase in interest rates

      Below are the major revenue sources that have decreased:
      - Property Taxes – down $35,943 due to a larger amount of protested accounts in a reassessment year
      - Court Revenues – down $108,681 due to change in municipal court laws
      - Grant Revenues – down $24,214 due to less activity with Police Grants
      - Other Revenues – down $41,354 due to no sale of capital assets in FY 2018

   b. Expenditures
      Expenditures for the General Fund are $1,317,139 more than the same time period in FY 2017 due to the following:
      - Transfers Out to Capital Fund – up $1,000,000 from FY 2017 due to Ladue Road Emergency Project
      - Pension – up $723,928 due to all of the pension contribution for the Legacy DB Plan being paid by the end of the 2nd quarter instead of spreading it out over 4 quarters as done previously.

      Significant reductions in expenditures from FY 2017 include:
      - Court Department – down $45,667 due to 1 less FT position
      - Interdepartmental – down $55,009 due to less in medical reimbursements and health insurance for retirees ($22,152) and less in city liability and property insurance ($41,010)

- Municipal Facilities Maint. – down $36,020 due to emergency repair in FY 2017
- Police Admin. – down $36,585 due to timing of WCDC quarterly payments
- Police Patrol – down $172,414 due to vehicle purchases in FY 2017 that have not yet occurred in FY 2018
- Street Maint. – down $57,391 due to less snow removal supplies needed in FY 2018

The overall net change for FY2018 is a deficit of $271,556 which is currently under the budgeted deficit of $633,280.

2. Municipal Enterprise Fund

a. Revenues

Overall, Revenues for the Enterprise Fund are $32,034 less than what was received in FY 2017, 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.

b. Expenditures

Expenditures are $34,661 more than last year with most of that being due to an increase in water and sewer costs for the golf course due to a really dry year.

We budgeted an increase in revenues and expenditures for the Enterprise Fund and everything seems to be on track with the budget.

3. Capital Fund

a. Revenues

At this time, revenues for the Capital Fund are down $39,352 from last year (after you back out the Transfer-in from the General Fund for the Ladue Road project), which is due to the less in Grant revenue than FY 2017. Sales Tax was actually up $32,071 over FY 2017.

b. Expenditures

Expenditures are at $316,921 more than last year, but most of that is due to the emergency Ladue Road project. All of these expenditures are within the FY 2018 budget. Some of the major expenditures for FY2018 are as follows:

- Golf Course Cart Path Project - $490,352 (Largely grant funded)
- Park Bridge Replacement - $32,476
- Dielmann HVAC - $128,567
- Alden Lane Culvert Improvements - $141,935
- Ladue Road - $771,860
- Asphalt - $216,032
- Concrete - $467,122.
- Sidewalks - $114,109
- Microsurfacing - $224,743
- Traffic Signal Enhancements - $94,691
- Olympia Ice Resurfacer - $69,500
- IT Server - $62,652
- PW One-Ton Dump Truck with Plow & Spreader - $34,640
- Bobcat - $64,823

Overall, the Capital Fund is within the amended budget.

4. **Sewer Lateral Fund**

   c. Revenues

   Sewer Lateral Revenue is $2,188 less than last year, but that's due to more funds held in protest than FY 2017 since this is a reassessment year.

   d. Expenditures

   Expenditures are $24,169 less than last year due to changing reimbursement from 80% to 50% January 2017.

Overall, the Sewer Lateral Fund is looking better than what was budgeted.

5. **Public Safety Fund**

   e. Revenues

   Public Safety Sales Tax revenues are at $312,250; we have budgeted a total of $500,000 for FY 2018, representing the projected revenue for seven months since the tax was implemented in late 2017.

   f. Expenditures

   There are no expenditures at this time.

I would be pleased to respond to any questions.

City of Creve Coeur
Statement of Revenues and Expenditures
As of March 31, 2018
FY 2018

	Annual Budget	Adjusted Budget	YTD Actual	YTD Encumb	2018 Actual As % of Adjusted Budget	*2017 3rd Qtr Actual*	*2017 Actual As % of Budget*
General Fund Revenues:							
Property Taxes	552,000	552,000	388,460		70.4%	424,403	75.4%
Utility Taxes	5,862,000	5,862,000	4,603,069		78.5%	4,384,894	73.2%
Intergovernmental	7,293,000	6,643,000	5,094,968		76.7%	4,870,821	71.2%
Licenses and Permits	977,650	977,650	912,810		93.4%	774,102	85.0%
Charges for Municipal Services	103,060	103,060	67,348		65.3%	72,583	61.8%
Municipal Court	600,000	600,000	342,433		57.1%	451,114	69.4%
Interest Revenue	210,000	210,000	207,547		98.8%	140,151	80.1%
Other Revenues	325,268	325,268	228,701		70.3%	304,853	100.1%
Total Revenues	**15,922,978**	**15,272,978**	**11,845,337**		**77.6%**	**11,422,920**	**73.5%**
General Fund Expenditures:							
Legislative Services	474,982	474,982	341,159	5,672	71.8%	311,983	76.1%
Administrative Services	1,076,511	1,076,511	613,480	232,948	57.0%	598,682	48.8%
Finance Department	573,632	573,632	448,474	0	78.2%	457,098	73.8%
Municipal Court	258,351	258,351	170,446	9,833	66.0%	216,113	63.7%
InterDepartmental	495,901	495,901	395,693	1,353	79.8%	450,702	80.9%
Community Services	118,342	118,342	78,085	0	66.0%	66,696	55.1%
Maint. of Municipal Prop.	355,303	355,303	235,299	34,471	66.2%	265,813	68.5%
Police Department	7,477,500	7,477,500	5,332,771	273,488	71.3%	5,069,204	69.5%
Public Works - Admin.	617,035	617,035	421,669	1,954	68.3%	402,967	74.2%
Street Maintenance	1,669,477	1,704,477	1,115,235	111,391	65.4%	1,141,039	66.9%
Health and Environment	774,500	774,500	553,308	191,286	71.4%	518,787	63.7%
Park Maintenance	516,730	516,730	319,234	25,451	61.8%	294,776	56.1%
Community Development	1,472,994	1,472,994	1,092,042	5,107	74.1%	1,005,895	71.3%
Total Expenditures	**15,881,258**	**15,916,258**	**11,116,894**	**892,956**	**69.8%**	**10,799,754**	**67.7%**
Total Operating Surplus (-Deficit)	**41,720**	**(643,280)**	**728,443**			**623,166**	
Transfers To Other Funds	**525,000**	**525,000**	**1,000,000**			**0**	
Operating Revenues Over (under) Expenditures	**(483,280)**	**(1,168,280)**	**(271,557)**			**623,166**	

Communication: Review 3rd Quarter Financials (Finance Director Business)

City of Creve Coeur
Statement of Revenues and Expenditures
As of March 31, 2018
FY 2018

	Annual Budget	Adjusted Budget	YTD Actual	YTD Encumb	2018 Actual As % of Adjusted Budget	*2017 3rd Qtr Actual*	*2017 Actual As % of Budget*
Municipal Enterprise Fund Revenues:							
Golf Course	385,350	385,350	219,893		57.1%	225,586	56.2%
Food Service	56,000	56,000	39,798		71.1%	36,923	67.1%
Ice Arena	614,995	614,995	563,694		91.7%	585,576	106.7%
Other Revenues	700	700	708		101.1%	8,041	108.0%
Capital Contribution	0	0	0		0.0%	0	0.0%
Total Revenue	**1,057,045**	**1,057,045**	**824,092**	**0**	**78.0%**	**856,126**	**85.1%**
Municipal Enterprise Fund Expenditures:							
Golf Course	489,653	489,653	375,398	1,061	76.7%	348,747	67.0%
Food Service	41,010	41,010	27,819	3,353	67.8%	30,230	71.5%
Ice Arena	528,588	532,483	365,711	13,073	68.7%	363,955	76.4%
Depreciation	0	0			0.0%	0	0.0%
Total Expenditures	**1,059,251**	**1,063,146**	**768,928**	**17,487**	**74.0%**	**742,932**	**71.5%**
Total Operating Surplus (-Deficit)	**(2,206)**	**(6,101)**	**55,164**			**113,194**	
Transfers to other Funds	**0**	**0**	**0**			**0**	
Operating Revenues Over (Under) Expenditures	**(2,206)**	**(6,101)**	**55,164**			**113,194**	

Communication: Review 3rd Quarter Financials (Finance Director Business)

City of Creve Coeur
Statement of Revenues and Expenditures
As of March 31, 2018
FY2018

	Annual Budget	Adjusted Budget	YTD Actual	YTD Encumb	2018 Actual As % of Adjusted Budget	*2017 3rd Qtr Actual*	*2017 Actual As % of Budget*
Capital Improvement Fund Revenues:							
Intergovernmental	2,108,030	2,108,030	1,611,929	0	76.5%	1,579,858	76.1%
Interest Revenue	7,500	7,500	2,797	0	37.3%	1,148	76.6%
Other Revenues	427,045	933,160	66,336	0	7.1%	139,408	10.7%
Total Revenues	**2,542,575**	**3,048,690**	**1,681,062**	**0**	**55.1%**	**1,720,414**	**51.0%**
Capital Improvement Fund Expenditures:							
Building & Improvements	95,000	95,000	0	0	0.0%	77,840	20.5%
Park Development Projects	330,000	884,022	672,055	34,330	76.0%	87,760	44.8%
Storm water Projects	320,000	330,549	142,836	6,133	43.2%	160,651	34.9%
Street Overlay/Repair	2,213,000	3,572,200	2,000,807	833,551	56.0%	2,165,972	72.7%
Capital Equipment	484,638	406,703	196,976	186,348	48.4%	203,531	54.3%
Total Expenditures	**3,442,638**	**5,288,474**	**3,012,674**	**1,060,361**	**57.0%**	**2,695,754**	**61.4%**
Total Operating Surplus (-Deficit)	**(900,063)**	**(2,239,784)**	**(1,331,612)**			**(975,339)**	
Transfers in from General Fund	**525,000**	**525,000**	**0**			**0**	
Operating Revenues Over (Under) Expenditures	**(375,063)**	**(1,714,784)**	**(1,331,612)**			**(975,339)**	

Finance Committee

May 2, 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 FY 2019. 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 transfers out, a condition that has changed. The FY 2018 forecast is for an operating surplus of $270,000, before transfers out to the capital fund. The deficit could increase to $1.5 million, excluding transfers out in FY 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 FY 2018 of $13.8 million is forecast to drop to $8.854 million by FY 2023, impairing our ability to accommodate unplanned events, such as the recent Ladue Road repair. 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 (FY 2019), followed by $1, $1.5, and $2 million phased deficit reductions during subsequent years, if necessary.

I. Immediate Actions

Several actions totaling over $600,000 are recommended for immediate incorporation into the FY 2019 budget:

Action	Recommended	Incorporated
Increase the city's real estate tax rate to the maximum ceiling (action taken in the FY 2019 budget);		($100,000)
Reduce annual salary increase or decrease dependent health insurance contribution (action taken to reduce the salary percentage from 3% to 1.5% in FY 2019 budget);		(80,000)
Defer or eliminate hiring three replacement employees (action taken in the FY 2019 budget);		($140,000)
Increase residential electric utility franchise tax to the prior 7% rate to generate about $190,000 (action taken to increase all utility tax rates by .5% in the FY 2019 budget);		($287,000)
Change limb chipping to an on-demand program with the goal of reducing from 17 pickups per residence each year to 6 per residence each year, and to encourage residents to increase their use of yard waste totes or purchase bags/tags for their limbs;	($50,000)	
Start a program to promote recycling by residence and business;		
Accelerate implementation of the new cost accounting system to determine actual cost of maintaining each city property;		
Benchmark utility costs for all city facilities and develop a utility cost-reduction program;		
Start a program to monthly promote shopping locally.		
TOTAL	($50,000)	($607,000)

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

Phased Actions

A. Cost Reductions:

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 a task force composed of members drawn from citizen committees and department staff, 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 annual transfer to capital budget;
5. Consolidate municipal court services with other municipalities; and
6. 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 force consist of 3-5 citizens nominated by Council and Mayor, and that they report to the City Manager at least every other month and finally by the end of this year so that staff can incorporate the ideas into the FY 2020 budget.

B. Revenue Increases:

There are several options available to increase City revenue:

1. Increase sales tax rates;
2. Increase utility gross receipt tax rates;
3. Increase real estate tax rates;
4. Increase business license fees or restructure the current assessment method on business licenses;
5. Tax new sources, such as levying a use tax and/or a park and storm water tax;
6. Assess user fees for a portion of trash collection and recycling collection;
7. Increase service charges such as for building or zoning permits;
8. Audit business licenses to make sure they are in compliance with taxing requirements; and
9. Review fees for community buildings, golf and ice rink use;

To this end, the Finance Committee will form a revenue increasing subcommittee that will meet on alternate months to define, analyze, and recommend improvements to City's revenues. Subcommittee meetings will be public. We are cognizance of the finance department being short staffed and will take that into consideration.

Sincerely,

J. Philip 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?

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.

City of Creve Coeur
Finance Committee
FY19 Proposed Meeting Schedule

DATE	TOPIC
September 4, 2018	Review of 4th Qtr Financials and Year-End,
November 6, 2018	Review of 1st Quarter Financials,
February 12, 2019	Review of 2nd Quarter Financials, Policy Reviews
March 5, 2019	Review of Proposed 5-Year Capital Plan
March 19, 2019	Review of Proposed 5-Year Capital Plan
April 23, 2019	Review Proposed Budget Preview
May 7, 2019	Review of Proposed Budget, Review 3rd Quarter Financials
June 4, 2019	Further Review of Proposed Budget

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.