# Finance Committee
# Committee Meeting Agenda
# October 9, 2018
# 5:30 PM
# Mayor's 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 4, 2018 Finance Committee Meeting Minutes**

5. **Reports**

    **Chairperson**

    **Audit Committee**

    **Pension Board**

    **Building Task Force**

    **Staff Report**

6. **New Business**

    ***A. Cost Reductions***

    **Council's Response to Memos and Status of Joint Task Force**

    **9-11-18 Finance Committee Memos**

    **Independent Consultant and Committees Invovlement in RFP**

    **Joint Ventures with Other Municipalities**

    **Cost Reduction Areas for Consideration**

    **Item Committee Request Staff to Study Regarding Cost**

    **Staff Memos on Expenditures and Service Reduction Memo**

    **2-22-18 Expenditure Reductions Memo**

    **4-10-18 Service Reductions Memo**

**Finance Committee**
**Committee Meeting Agenda**
**October 9, 2018**
**5:30 PM**
**Mayor's Conference Room**
**300 N New Ballas Rd**

***B. Investment Policy***

**Investment Policy**

**Investments as of 8-31-19**

**7. Unfinished Business**

**Methods for Economic Evaluation**

**Fiscal Impact Analysis of Large Development Policy**

**8. Other Business**

**FT19 Meeting Schedule**

**9. Public Comments**

**10. Adjourn**

# Finance Committee
# Committee Meeting Minutes
# September 4, 2018
# 5:30 PM
# Mayor's Conference Room
# 300 N New Ballas Rd

## 1. Call to Order

## 2. Roll Call

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

## 3. Approval of Agenda

### Approval of Agenda

Mr. Shulenburger motioned to add the election of Chair and Vice-Chair to the agenda after the Public Comments section.

| | |
|---|---|
| **RESULT:** | **AMENDED [UNANIMOUS]** |
| **MOVER:** | Adam Shulenburger, Board Member |
| **SECONDER:** | Marjorie Richter, Board Member |
| **AYES:** | Potashnick, Richter, Shulenburger, Hellwege, Fogerty |
| **ABSENT:** | Kutta, Abeles |

## 4. Approval of Minutes

### Approval of May 15, 2018 Finance Committee Meeting Minutes

Mr. Shulenburger requested clarification on the type of liability insurance stated in the minutes. Mr. Perkins stated that this is Public Officials liability coverage. This does cover committee members. This change will be reflected in the minutes.

| | |
|---|---|
| **RESULT:** | **ACCEPTED AS AMENDED [UNANIMOUS]** |
| **MOVER:** | Marjorie Richter, Board Member |
| **SECONDER:** | Adam Shulenburger, Board Member |
| **AYES:** | Potashnick, Richter, Shulenburger, Hellwege, Fogerty |
| **ABSENT:** | Kutta, Abeles |

## 5. Public Comments

Mr. Clearman stated he appreciates the information he receives from the Finance Committee.

## 6. Election of Chair and Vice-Chair

### Election of Chair and Vice-Chair

Ms. Richter motioned to nominate Mr. Shulenburger for Chair. Mr. Potashnick seconded the motion with all present voting aye. Ms. Richter motioned to nominate Mr. Kutta for Vice-Chair. Mr. Potashnick seconded the motion with all present voting aye. The Chair and Vice-Chair will serve until the end of the present Fiscal Year of 2019 (6-30-19) which coincides with the terms for committee members.

The Committee thanked Mr. Hellwege for his service as Chair this past year.

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

## 7. Reports

### Chairperson

### Audit Committee

Ms. Richter stated the Audit Committee reviewed the comments to management. All comments have been resolved except for the risk assessment. Ms. Obermoeller stated the task will be completed this fiscal year. The audit is scheduled for two weeks in September. The Audit Committee will then meet again in November to review the results of the audit.

### Pension Board

Mr. Potaschnick stated the Pension Board changed the actuarial assumption from 7% to 6.75%. The Pension Board had an extensive discussion on the topic and agreed to continue to move closer to the historical average. Mr. Perkins stated the actuary will run the actuarial report using both assumptions for comparison.

### Finance Sub Committee

Mr. Shulenburger reported that the Sub Committee has met three times. Mr. Shulenburger stated that Staff has provided the committee with a lot of information on revenues. The Sub Committee feels studying only the revenue side without studying the expense side made the committee uncomfortable making a recommendation to the Council or even to the Finance Committee. The Sub Committee would like to ask the Finance Committee to expand the Sub Committees scope to include the expenditures because the Council has not created task force to review expenditures.

Mr. Perkins discussed with the Committee recommending again to the Council to review expenditures. Mr. Perkins also stated that staff is making a recommendation to the Council to reduce the number of leaf and limb pick-ups. Staff is currently looking at ways to make services more efficient and reduce cost in all areas. The Committee discussed the building inspections and the option of moving them to the County. The City will still be responsible for all nuisance calls.

Ms. Obermoeller reviewed the surplus and deficits for the budget with the Committee. She stated the transfer to the Capital of $400,000 is not technically an expenditure and can be added back in to get the surplus or deficit for the year. By removing the transfer out, this gives the City a surplus of $62,184.00 for FY19. Council has proposed to increase the Utility Tax rate to 7% for residential and 8% for commercial resulting in an increase in revenue of $462,450 for the first year. Ameren UE decreased their rates in August by 6.1% so the City will lose $196,000 of revenue.

Mr. Shulenburger requested a copy of the Bond prospectus in a PDF for review.

Mr. Shulenburger recommended the Committee submit a memo to Council stating the Sub Committee has been studying revenue increases and would like to study expenses and present recommendations to Council or meet and provide ideas or concepts for discussion at a joint work session. The Committee feels strongly about including wording stating the projected deficit for future years in the budget for FY19.

### Staff Report

### A. 4th Quarter Financial Statement

### B. Review of Long-Range Financial Projections

## 8. New Business

### Update to Purchasing Policy and Procedures

Ms. Obermoeller discussed the update to the Purchasing Policy with the Committee. She stated she would like to go to the Council with a recommendation to update the purchasing policy. The change would increase the requirement for a purchase order from $750 to $1500. The other item is to increase Mr. Perkins approval from $5,000 to $7500. The main reason for this change is to encumber funds and to get the proper authorization for the purchase. Currently the purchasing policy is not being utilized this way, Finance is receiving the request for the purchase order after purchasing the item and invoice received. A suggestion from the Committee was to add wording to the policy that states, a transaction or group of transactions that total a certain dollar amount, not to be split or purchased separately to avoid the requirement of needing a purchase order for projects that meet the limit.

The Committee further discussed raising approval limits for directors and the City Administrator. The Committee recommends that Council explore whether it makes sense to increase the City Administrators approval limits from $20,000 to $25,000 since others are being increased and the policy hasn't been reviewed since 2006. The Committee also recommended adding verbiage to have all contracts of over a certain dollar limit reviewed by the City Attorney.

## 9. Unfinished Business

### Methods for Economic Evaluation

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

### Fiscal Impact Analysis of Large Development Policy

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

## 10. Other Business

### FY19 Proposed Meeting Schedule

Mr. Potashnick motioned to amend the FY19 Proposed Meeting Schedule to add an additional meeting for October 9, 2018 at 5:30 PM and propose a joint work session with Council on October 22, 2018. Ms. Richter seconded the motion with all present voting aye.

The Committee will focus on the report to Council on the revenue and expenses.

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

## 11. Adjourn

### Motion to Adjourn Meeting at 7:00 PM

# Finance Committee
# Committee Meeting Minutes
# September 4, 2018
# 5:30 PM
# Mayor's Conference Room
# 300 N New Ballas Rd

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

# Finance Command

September 11, 2018

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

Re: Revenue Increases and Cost Reductions Recommendations

Honorable Mayor and City Council:

The study and implementation of cost reductions and revenue increases are crucial to prevent Creve Coeur from developing a substantial deficit over the next five years. Without cost reductions and revenue increases the City is projected to have a cumulative operating deficit of approximately $3.4 million over the next five years, or approximately $5.4 million if utility tax rates are not increased on both commercial and residential users. A summary of the City's projected five-year General Fund deficit, broken down by year, is attached as **Exhibit A**.

At the Finance Committee's September 4, 2018 meeting, the Finance Subcommittee (the "**Subcommittee**") updated the Finance Committee on its progress studying potential cost reductions and revenue increases over the summer. (A copy of J. Phillip Hellwege's May 17, 2018 letter describing the original purpose for forming the Subcommittee is attached as **Exhibit B**). The Subcommittee recommended that the Finance Committee delay providing recommendations on potential revenue increases until cost reductions are thoroughly studied allowing the Finance Committee to provide a more complete set of options for the Council to consider. The Finance Committee agreed with this recommendation. The Finance Committee also plans to hold a special meeting on Tuesday, October 9, 2018 to continue its discussion of cost reductions and revenue increases.

The Finance Committee strongly encourages the City Council to create a Taskforce that would study cost reductions and consider the recommendations for potential revenue increases. The creation of this Taskforce could be discussed at a joint City Council – Finance Committee Work Session focusing on financial matters. The Finance Committee also suggests that the Taskforce be composed of just members of the City Council and Finance Committee, i.e. much like the composition of the City's Audit Committee.

Should the Mayor or City Council have questions, comments or input on the Finance Committee's work or its two letters, the Finance Committee would appreciate the feedback.

Sincerely,

*Adam A. Shulenburger*

Adam Shulenburger, Finance Committee Chair

# Exhibit A

## 5-Year General Fund Surplus (Deficit) Summary

| Before $400K Transfer | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | Total |
|---|---|---|---|---|---|---|
| Operating Surplus (Deficit) | $62,184 | ($303,814) | ($670,250) | ($1,041,318) | ($1,420,257) | ($3,373,455) |
| New Utility Rate | $462,450 | $616,600 | $616,600 | $616,600 | $616,600 | |
| Ameren 6.1% Decrease | ($196,062) | ($198,023) | ($200,003) | ($202,003) | ($204,022) | |
| **Total Operating Suplus (Deficit)** | **$328,572** | **$114,763** | **($253,653)** | **($626,721)** | **($1,007,679)** | ($1,444,718) |
| % of Exp. To Cut to Balance Budget | -2.13% | -0.72% | 1.55% | 3.73% | 5.82% | |

| After $400K Transfer | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | Total |
|---|---|---|---|---|---|---|
| Budget Surplus (Deficit) | ($337,816) | ($703,814) | ($1,070,250) | ($1,441,318) | ($1,820,257) | ($5,373,455) |
| New Utility Rate | $462,450 | $616,600 | $616,600 | $616,600 | $616,600 | |
| Ameren 6.1% Decrease | ($196,062) | ($198,023) | ($200,003) | ($202,003) | ($204,022) | |
| **Total Budget Surplus (Deficit)** | **($71,428)** | **($285,237)** | **($653,653)** | **($1,026,721)** | **($1,407,679)** | ($3,444,718) |
| % of Exp. To Cut to Balance Budget | 0.46% | 1.80% | 4.00% | 6.10% | 8.13% | |

Prepared by Director of Finance Lori Obermoeller

# Finance Committee

May 22, 2018

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. In FY 2023 the deficit could increase to $1.5 million, before transfers out. 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. 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.

Following is a proposal for immediate action and a 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.

In summary, we are recommending for your consideration adoption of four immediate actions. We also recommend beginning an evaluation of revenue increases and cost reductions. We anticipate this process to take place over the next 2 years.

We are also creating a subcommittee to further study Revenue Increases and prepare recommendations to the full Finance Committee, which will in turn provide a report with the Finance Committee's final recommendations to the Council. The subcommittee meetings would occur at least every other month and potentially once a month. These meetings would be open to the public and follow all other open meeting requirements. The first meeting of the subcommittee will be on June 4, 2018 at 5:30 p.m. The members of the Finance Committee that have agreed to serve on the subcommittee are Ronald Abeles, Larry Potashnick and Adam Shulenburger.

The Finance Committee also recommends that the Council create a relatively small taskforce, which would include at least two members of the Finance Committee. The taskforce would focus on Cost Reductions. Although cost-reductions alone can't rectify the projected deficits, we recommend undertaking an immediate effort to identify and reduce or eliminate expenditures. Since over 70% of City expenditures involve labor costs, which have increased annually, the expected focus is on labor-intensive activities.

Since access to cost data is critical, the study of Cost Reductions and Revenue Increases will require the support and involvement of the Director of Finance and a senior manager from each department. The subcommittee's and taskforce's objective would be to provide Council with a report by the end of this year, so recommendations can be incorporated into the FY 2020 budget.

## RECOMMENDED IMMEDIATE ACTIONS

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

| Action | Projected Savings |
|---|---|
| Increase the city's real estate tax rate to the maximum ceiling (action taken in the FY 2019 budget) | $100,000 |
| Reduce annual salary increases (reducing such increase 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 |
| TOTAL | $607,000 |

## COST REDUCTIONS & REVENUE INCREASES

We recommend that the study of Cost Reductions and Revenue Increase by the relevant group to address at least the following items:

**A. Cost Reductions to be Considered by the Council Appointed Task Force:**

1. Improve, outsource, or reduce frequency of leaf collection and limb chipping;
2. Consider ways to decrease the cost of trash and recycling services;
3. Reduce annual operating funds transfer to capital budget;
4. Study ways to decrease the City's health insurance costs, e.g. decreasing the contribution to the cost of dependent health insurance or implementing a high deductible health insurance plan coupled with a health savings account;
5. Determine the actual costs of maintaining each city asset,
6. Eliminate or change distribution of newsletter;
7. Benchmark utility costs for all city facilities and develop a utility cost-reduction program; and
8. Consolidate municipal court or other services with other municipalities; and determine the real cost of matching grants.

**B. Revenue Increases to be Considered by the Finance Subcommittee:**

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

Sincerely,

*J. Philip Hellwege*

J. Philip Hellwege, Chair
Finance Committee

### ALTERNATIVES FOR EXPENDITURE REDUCTIONS

### AND REVENUE ENHANCEMENTS – 2018 (Version 2/22/18)

Below is an outline of alternatives for both expenditure reductions and revenue enhancements. The city's operating deficits are projected as follows, based on February 2018 projections:

FY 2019 - $ 1.2 million

FY 2021 - $ 1.8 million

**Expenditures**

1. Wages and Benefits

   a. Each 1% of salary increases costs approximately $54,000 (assumes no changes made to grade min and max);
      i. Reducing the normal annual salary increase amount from 3% to 1.5% will result in a savings of $81,000;
      ii. Eliminating pay increases will result in a savings of $162,000.

   b. Defer filling or eliminate three vacant full time positions:
      i. Public Works Maintenance Worker I = $55,500
      ii. Police Traffic Safety Officer $58,800 (grant pays for other 50%)
      iii. Police Support Services Aide = $62,740 (FT cost) - $28,652 (PT cost) = $34,100

      Total Savings, 3 FT positions = $148,400

   c. Move the Civil Engineer funding to Capital Fund – Reducing General Fund Expenditures by $83,000

   d. Increase employee share of health insurance premiums for dependent coverage from 20% to 25% savings of $32,000

      i. Impact to employees with dependent coverage: $25 to $52 per month

2. City Services

   a. Curbside trash and recycling service, currently paid 100% by City.

      i. Savings to city based on 75% city funding / 25% user fee: $193,750

      ii. Savings to city based on 50% city funding / 50% user fee: $387,500

      iii. Savings to city based on 100% user fee: $775,000

         a. Impact to users: Up to $14 per month

b. Leaf vacuuming

   i. Total Cost of leaf vacuuming service is $312,896 annually including both hard and soft costs; soft costs include staff salaries and equipment that would need to be retained for other services if leaf vacuuming service is eliminated. Total savings if the program is eliminated: $202,096

   ii. Reduce service to 2 collections in fall, 1 time in spring; savings: $101,048

   iii. Consider user fee, but thereby creating a significant administrative billing and collection process; savings would be less new administrative costs associated with billing and collection, loss of efficiency due to serving only subscribing homes.

c. Limb chipping

   i. Total Cost of limb chipping service is $350,500 annually including both hard and soft costs; soft costs include staff salaries and equipment that would need to be retained for other services if limb chipping service is eliminated. Total savings if the program is eliminated: $241,300

d. Snow removal on private streets

   i. consider discontinuing this service or establishing user fee - $48,000

3. Joint Services and Outsourcing. The city has entered into intergovernmental agreements and cooperatives for a number of services including police dispatching, health, worker's compensation and liability insurance, and purchasing, resulting in substantial savings.

   a. A future opportunity for joint service is the consolidation of municipal courts, resulting in savings of $25,000 to $50,000.

4. Other

   a. Public Works has reduced the size of our two-ton fleet to nine trucks and reduced the number of leaf vacuums to nine unit. We have also started purchasing half of the one-ton fleet without plow and spreaders. This has been made possible by purchasing diesel powered trucks and vacuums which require less maintenance and are more reliable. Reduction of these areas of our fleet have resulted in lower maintenance costs, better performance, as well as allowing purchase cycles to be extended therefore lowering our annual CIP Equipment purchase costs.

   b. Reduce printing of newsletter from monthly to bi-monthly. The newsletter could be distributed electronically in other months. Savings: $25,000

   c. Special Event Activities

      i. Replace annual commissions dinner with a summer picnic; Savings: $5,000; savings if event is eliminated entirely: $10,000

      ii. Eliminate subsidy of Farmer's Market: $10,000

## Alternatives for Revenue Increases

1. Consider ordinance to increase the gross receipts tax rate, currently 7%, except residential electric is 5.5% and cable TV is 5%. Potential revenue:

   a. Each 1% increase in residential electric gross receipts - $126,000

   b. Each 1% increase in commercial electric gross receipts - $341,000

   c. Each 1% increase in all utilities gross receipts (except cable) - $776,000

      i. Impact: A 1% rate increase in a $200 monthly utility bill will increase the cost by $2.

2. Consider increasing real estate tax to cap. Potential revenue: $100,000

   a. Impact: An increase in the tax rate from $0.068 to $0.082 will result in an annual increase of $14 on a home with a market value of $400,000.

3. Consider seeking voter approval of an increase in business license fees; Potential revenue: $180,000 to $900,000

   a. Average current business license fee is currently $190, based on square footage; (954 licensed businesses, $184,000 in annual revenue)

   b. Impact: Varies, dependent upon method of calculation and rate;

   c. Compliance Audit – to be conducted summer 2018; Estimated Revenue $20,000

4. Consider placing the Local Option Use Tax on the ballot, Potential revenue $340,000

   a. Impact: The use tax is levied at the same rate as sales tax, but no user is ever subject to both. The use tax is primarily a business-to-business tax on out-of-state purchases. The first $2,000 in annual purchases are exempt so the impact on individuals is negligible.

5. Consider placing a one-half cent Parks and Storm water sales tax on the ballot, which would be primarily used to fund park and storm water capital projects, but could also be used to offset park operating costs of $400,000 annually. Total park/storm water tax revenue $2.4 million.

   a. Impact: For every $100 in retail sales, the additional tax due would be $0.50. The current local sales tax rate is 1.75%, the total sales tax rate in Creve Coeur is 8.3625%

6. Review planning & zoning and building permit fees – currently underway.

Mark Perkins

City Administrator

February 22, 2018

# DEPARTMENT OF PUBLIC WORKS
# OFFICE MEMO

**DATE**: April 10, 2018

**TO**: Mark Perkins, City Administrator

**FROM**: Jim Heines, Director of Public Works

**SUBJECT**: Cost Savings Through Reduction of Leaf and Limb Collection Services

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Public Works staff has reviewed the operations of the Leaf and Limb Collection Programs and identified areas where the city could recognize a reduction to operating costs with the least amount of effect on residents. Below each program and potential savings will be discussed:

Leaf Collection Program

The leaf collection program provides four (4) pickups in the fall and two (2) in the spring. The estimated cost to operate this annual program is approximately $313,000. After removing labor costs from the overall program costs the hard costs for the program could be as much as approximately $202,000* per year.

If the city were to reduce the number of pickups per year there could be a sizeable savings to the city without causing a major inconvenience to residents. Public Works staff would recommend eliminating one of the two spring pickups in April and the first pickup in the fall (last week of Oct. and first week of Nov.).

Typically, both spring pickups are light and could be combined into one pickup. The first pickup in the fall is also light and could be combined with the second pickup. By eliminating these two leaf pickups the city could save as much as $67,000* per year.

Limb Chipping Program

The Limb Chipping Program usually operates from mid-March through mid-October each year with a one-time mid-winter pickup at the end of January. This service provides a total of 17 pickups per residence per year. Total cost to operate the limb chipping program is approximately $350,000 annually. After removing labor costs from the overall program costs the hard costs for the program could be as much as approximately $241,000* per year.

Characteristically the volume of limb collection is heaviest in the spring, fall, and mid-winter pickup. During the summer months chipping volumes are lighter for the typical home owner use. However, we experience a lot of contractor piles from whole tree removals, major tree trimming, and land clearing.

If the program were suspended for June, July, and August, it would reduce the number of pickups per residence by six (6) or approximately 1/3of the total pickups provided with an estimated savings of as much as $85,000* per year.

We have evaluated going to one (1) pickup per month during the summer but feel that the amount of brush will remain the same and we will have to run two chippers at least two-weeks of each month to service the city which defeats going from two pickups per month to one pickup per month. It would also force the contractors to take the brush that they cut with them rather than dumping it at the curb for the city to remove.

We also looked at a potential call-in for service program and feel that this would be problematic and would actually cost the city more. This type of program would require even more staff time to take reservations and setup routing sheets. In addition, if the chipping crew went on a street to pick up limbs from a resident who called in for service, and there are three more homes with brush out the crew would need to pick them up as well. I think the only way a call-in or web reservation service would work would be if it were a pay for service program, where the residents would pay a fee for brush removal.

Additional Unmeasured Savings

In addition to the potential savings of $67,000** from the leaf program and $85,000** from the limb chipping program reducing the amount of time crews are tied up with leaf and limb collection, this will allow more staff time to focus on other activities where additional savings can be experienced. Some of those items are listed below:

- Expand the Crack Sealing Program and protect more lane miles of pavement annually. Which will result in higher PCI's and longer service life of our pavement network.
- Increase concrete street slab replacements allowing more road work to be completed in house.
- Increase asphalt pavement repairs allowing more road work to be completed in house.
- Increase sidewalk and ADA ramp replacement allowing city staff to supplement the amount of sidewalk work constructed annually.
- Devote more time to EAB tree removals.
- Increase the availability of manpower to service and maintain parks
- Increase the availability of manpower to service and maintain the increasing areas of ROW landscaping i.e. Olive, Ballas, Craig, Ladue, Coeur de Ville, Rue de la Banque, etc.

*Please note that the potential savings is based on equipment usage only as the City's Maintenance Workers will be reassigned to perform other tasks. The cost for the estimated equipment savings are based the FEMA Schedule of Equipment Rates which is a published hourly value for trucks and equipment. Each specific truck or piece of equipment has an hourly rate and included in that figure is the value of the equipment, fuel, maintenance, insurances, etc.

** The potential savings on fleet expenses identified for the Leaf and Limb Collection Programs may be reduced by operational costs of specific trucks and equipment to perform other tasks from the list identified in the bullet point list above under the Additional Unmeasured Savings category.

Savings on Temporary Labor

There is a potential savings on temporary labor costs for both programs. The fall leaf collection is typically done by our staff so there would not be any savings on labor, however, during the spring leaf collection we use several temporary workers at a cost of approximately $600 per temporary worker per week. If we eliminate a spring pickup, savings on temporary workers could be as much as $2,400 unless these workers were reassigned to other duties along with our full-time employees.

There is also an opportunity for savings on temporary labor costs for the Limb Chipping Program. If we choose to postpone limb collection services in the summer months (June, July, August) the city could save as much as $10,000-$12,000 unless the temporary workers were reassigned to provide labor on other projects along with our full-time staff.

**I. Governing Authority**

*Legality*
This investment policy shall be operated in conformance with federal, state and local requirements including the Missouri State Statutes governing the investment of public funds.

**II. Scope**
This policy applies to the investment of all operating and trust funds of the City of Creve Coeur. Certain longer-term funds, including investments of employees' retirement funds and proceeds from certain bond issues, may be covered by separate policies.

**1. Pooling of Funds**
Except for cash in certain restricted and special funds, the City of Creve Coeur can consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

**General Operation Funds**
Operational Funds shall be pooled, managed for liquidity, and shall have an appropriate benchmark.

**Longer Term Reserve Funds**
The city will determine liquidity needs for operational funds and set aside other moneys in a reserve pool and have an appropriate benchmark for evaluation of investment performance.

**2. External Management of Funds**
Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

**III. General Objectives**
The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

**1. Safety**
Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

**a. Credit Risk**

The City of Creve Coeur will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Creve Coeur will do business~~, other than banks to extent all accounts therewith will be covered by FDIC insurance~~ for broker services and repurchase agreements.
- Diversifying the portfolio so that potential losses on individual securities will be minimized.

**b. Interest Rate Risk**

The City of Creve Coeur will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities

**2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

**3. Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

**IV. Standards of Care**

1. **Prudence**
The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the City Council and the purchase and the sale of securities are carried out in accordance with the terms of this policy.

   Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

   The Director of Finance and staff, acting in accordance with this policy and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported to the City Administrator and Mayor and Council immediately and that the appropriate action is taken to control adverse developments.

   For Bond issues to which the federal yield arbitrage regulations apply, the primary objective shall be to obtain satisfactory market yields to minimize the costs associated with investment of such funds.

2. **Ethics and Conflicts of Interest**
Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Creve Coeur.

3. **Delegation of Authority**
Authority to manage the investment program is granted to Director of Finance and derived from the Section 140.060 of the City Code of Ordinances and RSMo 110.010, RSMo 110.020, RSMo 67.085 and RSMo 30.270. Responsibility for the operation of the investment program is hereby delegated to the Director of Finance, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction

except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

**V. Investment Transactions**

**1. Authorized ~~Financial Dealers and Institutions~~Broker/Dealers and Financial Institutions**

A list will be maintained of financial institutions pre-qualified and authorized to provide investment transactions as stated above. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness as determined by the Director of Finance and approved by the City Council. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- ~~Completed broker/dealer questionnaire~~Resume, reputation and qualifications of sales representatives
- Firm references.
- Certification of having read, understood, and agreeing to comply with this investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Director of Finance.

From time to time, the Director of Finance may choose to invest in instruments offered by emerging or minority firms and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 may be granted by the City Council. All terms and relationships will be fully disclosed prior to purchase and will be reported to the City Council of the City of Creve Coeur on a consistent basis. The City Council of the City of Creve Coeur should approve these types of investment purchases in advance.

Competitive Selection of Investment Instruments. Before the City invests any surplus funds, a competitive "bid" process or a solicitation of competitive quotations shall be conducted.

**2. Internal Controls**

The Director of Finance is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City's independent auditor.

The internal control structure shall be designed to ensure that the assets of the City of Creve Coeur are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and record keeping within staffing constraints.
- Custodial safekeeping.

  Securities delivered by book entry shall be held in third party safekeeping by the trust department of the bank in the name of the City of Creve Coeur. The trust department of the bank will be considered to be a third party for the purposes of safekeeping of securities purchased from the bank.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Development of a wire transfer agreement with the lead bank and third party custodian.
- Accounting method. The City shall comply with the Government Accounting Standard Board (GASB) requirements in reporting assets.

**3. Delivery vs. Payment**

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of the City of Creve Coeur and shall be held by a third-party custodian as evidenced by safekeeping receipts. CD's, money market, and investment pool purchases that are typically purchased without DVP can be purchased through a wire or other means provided due diligence has been performed on where the funds are being transferred.

## VI. Suitable and Authorized Investments

**1. Investment Types**

In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that The City of Creve Coeur will consider and which shall be authorized for the investments of funds by the City of Creve Coeur.

a. United States Treasury Securities. The City of Creve Coeur may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.

b. United States Agency Securities & Instrumentalities. The City of Creve Coeur may invest in obligations issued or guaranteed by any agency of the United States Government as described in VI. (2).

c. Repurchase Agreements. The City of Creve Coeur may invest in contractual agreements between the City of Creve Coeur and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.

d. Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities or insured by Government agencies such as FDIC as dictated by State statute.

e. Bankers' Acceptances. Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. The City of Creve Coeur may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.

f. Commercial Paper. The City of Creve Coeur may invest in commercial paper issued by domestic corporations, which have received the highest rating issued by ~~Moody's Investor Services, Inc. or Standard and Poor's Corporation~~at least two (2) nationally recognized statistical rating organizations (NRSRO's). Eligible paper is further limited to issuing corporations that have total commercial paper program size in excess of~~ five hundred million dollars ($500,000,000)~~ two hundred fifty million dollars ($250,000,000).

g. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

h. Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

**2. Security Selection**

The following list represents the entire range of United States Agency Securities that the City of Creve Coeur will consider and which shall be authorized for the investment of funds by the City of Creve Coeur. Additionally, the following definitions and guidelines should be used in purchasing the instruments:

a. U.S. Govt. Agency ~~and instrumentalities~~ Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options and with final maturities of five (5) years.



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Communication: Investment Policy (Investment Policy)

b. U.S. Govt. Agency ~~and instrumentalities~~ Discount Notes. Purchased at a discount with maximum maturities of one (1) year.

c. U.S. Govt. Agency ~~and instrumentalities~~ Callable Securities. Restricted to securities callable at par only with final maturities of not greater than five (5) years.

d. U.S. Govt. Agency ~~and instrumentalities~~ Step-Up and Step-Down Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate ~~rises~~changes to a new, ~~higher fixed term.~~ ,Predetermined rate for a specified period of time, ~~R~~restricted to securities with final maturities of not greater than five (5) years.

e. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index,~~. Restricted to coupons with no interim caps~~ that resets at least quarterly, with a final maturity of five (5) years or less.

f. U.S. Govt. Mortgage Backed Securities. Restricted to securities with final maturities of not greater than five (5) years.

3. **Investment Restrictions and Prohibited Transactions**
To provide for the safety and liquidity of the City's funds, the investment portfolio will be subject to the following restrictions:

a. Borrowing for investment purposes ("Leverage") is prohibited.

b. Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

d. No more than 5% of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

**4. Collateralization**
Collateralization in accordance with section 30.270 will be required. Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 102% unless fully collateralized by a FHLB irrevocable letter of credit.



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For certificates of deposit, the market value of collateral must be at least 102% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund. The FHLB letter of credit shall be equal to 100% of the amount of certificate of deposits plus demand deposits less applicable FDIC insurance.

All securities, which serve as collateral against the deposits of a depository institution, must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date.

The City of Creve Coeur shall have a *depositary contract and pledge agreement* with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

5. **Repurchase Agreements**
The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to the City's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

**VII. Investment Parameters**

1. **Diversification**
The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards of the investment policy by security type and issuer shall be:
   a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government……..…………………….….…………………up to 100%

   b. Collateralized time and demand deposits……….…………...~~not more than 50%~~up to 100%

   c. U.S. Government agencies, and government sponsored enterprises ………………………………………………….…………..no more than ~~7~~80%

   d. Collateralized repurchase agreements……….……………...no more than

e. U.S. Government agency callable securities……….……….no more than 60%

f. Commercial Paper…………………………………..……….no more than 25%

g. Bankers' Acceptances……………………..……..……….no more than 25%

h. Local Government Investment Pool……………….…………...……up to 50%

i. Governmental Money Market Funds…………………………..…up to100%

**2. Maximum Maturities**

To the extent possible, the City of Creve Coeur shall attempt to match its investments with anticipated cash flow requirements. Investments in bankers' acceptances and commercial paper shall mature and become payable not more than one hundred eighty days (180) from the date of purchase. All other investments shall mature and become payable not more than five (5) years from the date of purchase. The City of Creve Coeur shall adopt weighted average maturity limitations that should not exceed ~~three~~ five (~~3~~5) years and are consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits, money market mutual funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Capital projects funds can be invested to match the project and can be extended past 5 years at the discretion of the Director of Finance with the approval of the City Administrator.

**Maximum Maturities of Debt Service Reserve Funds**

Funds in the Debt Service Reserve Funds (DSRF) may have a longer maturity than 5 years but may not extend longer than the maturity of the issue.

## VIII. Reporting

**1. Methods**

The Director of Finance shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the City of Creve Coeur to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council of the City of Creve Coeur. The report will include the following:

- Listing of individual securities held at the end of the reporting period.

- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration (in accordance with Government Accounting Standards Board (GASB) 31 requirements). [Note, this item will only be included once per year]
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- ~~Listing of investment by maturity date.~~
- Percentage of the total portfolio which each type of investment represents.

**2. Performance Standards**
The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks for evaluation of investment performance will be established by the Director of Finance against which portfolio performance shall be compared quarterly.

Commercial paper and bankers' acceptances must be reviewed monthly to determine if the rating level has changed. The commercial paper and bankers' acceptances should be reviewed for possible sale if the securities are downgraded below the minimum acceptable rating levels.

**3. Marking to Market**
The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually to the City Council of the City of Creve Coeur. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

## IX. Policy Considerations

**1. Exemption**
Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

**2. Adoption**
This policy shall be adopted by resolution of the Council of the City of Creve Coeur. The policy shall be reviewed annually by the Director of Finance and recommended changes will be presented to the City Council for consideration.

## X. List of Attachments

The following documents, as applicable, are attached to this policy:

- Securities acceptable as collateral to secure deposits
- Listing of authorized personnel

- Relevant investment statutes and ordinances
- Repurchase agreements and tri-party agreements
- Listing of authorized broker/dealers and financial institutions
- Safekeeping agreements
- Wire transfer agreements
- Sample investment reports
- Glossary

8/31/2018

# GENERAL FUND

| Investment | CUSIP Tracking # | Instrument | Holder | Quantity | Premium / Discount | Principal | YTM | | Purchase Date | Maturity Date | Call Date | Years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FHLB Bond | 3130A9CX7 | Fed | MBS | 250,000.00 | - | 250,000.00 | 1.000% | | 9/7/2016 | 9/7/2018 | 9/7/2017 | 2.0 |
| FHLB Bond | 3130A6RC3 | Fed | MBS | 250,000.00 | - | 250,000.00 | 1.150% | | 11/4/2015 | 11/2/2018 | BULLET | 2.11 |
| FHLB Bond | 313382N58 | Fed | MBS | 500,000.00 | (272.79) | 499,727.21 | 1.150% | | 3/11/2016 | 12/27/2018 | BULLET | 2.9 |
| FMNA | 3136G3YG4 | Fed | MBS | 150,000.00 | (37.50) | 149,962.50 | 1.000% | | 7/25/2016 | 4/25/2019 | | 2.9 |
| FHLB Bond | 313379EE5 | Fed | MBS | 400,000.00 | 3,320.00 | 403,320.00 | 1.625% | | 7/10/2015 | 6/14/2019 | BULLET | 3.11 |
| FHLB Bond | 313383vn8 | Fed | MBS | 400,000.00 | 1,252.98 | 401,252.98 | 2.000% | | 9/12/2014 | 9/13/2019 | BULLET | 5.0 |
| **FHLB Bond** | 3130A6NA1 | **Fed** | **MBS** | 400,000.00 | (77.53) | 399,922.47 | 1.400% | | 10/29/2015 | 10/29/2019 | 4/29/2016 | 4.0 |
| FHLB Bond | 3130A17H5 | Fed | MBS | 400,000.00 | 9,260.00 | 409,260.00 | 2.000% | | 1/28/2016 | 3/4/2020 | BULLET | 4.1 |
| FFCB | 3133EGBL8 | Fed | MBS | 400,000.00 | (250.00) | 399,750.00 | 1.370% | | 5/19/2016 | 5/19/2020 | 5/19/2017 | 4.0 |
| FHLB Bond | 3130A87H0 | Fed | MBS | 400,000.00 | (160.00) | 399,840.00 | 1.400% | | 5/26/2016 | 5/26/2020 | 5/26/2017 | 4.0 |
| FFCB | 3133EGFNO | Fed | MBS | 400,000.00 | 1,528.00 | 401,528.00 | 1.400% | | 6/28/2016 | 6/15/2020 | 6/15/2017 | 3.11 |
| FHLB Bond | 3130A8NS8 | Fed | MBS | 400,000.00 | (700.00) | 399,300.00 | 1.240% | | 7/28/2016 | 7/13/2020 | 1/17/2017 | 3.11 |
| FFCB | 3133EGVK8 | Fed | MBS | 400,000.00 | (280.00) | 399,720.00 | 1.350% | | 9/21/2016 | 9/21/2020 | 9/21/2017 | 4.0 |
| FHLB Bond | 3130A9WK3 | Fed | MBS | 400,000.00 | - | 400,000.00 | 1.400% | | 10/28/2016 | 10/28/2020 | 4/28/2017 | 4.0 |
| FHLB Bond | 3130A86G3 | Fed | MBS | 250,000.00 | 477.50 | 250,477.50 | 1.600% | | 6/20/2016 | 11/25/2020 | | 4.5 |
| | | Subtotal | | 5,400,000.00 | 14,060.66 | 5,414,060.66 | | | | | | |
| Sallie Mae Bank | 795450TE5 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.800% | | 9/17/2014 | 9/17/2018 | | 4.0 |
| Enerbank USA | 1051113A4 | CD | 1sTEN | 200,000.00 | | 199,720.16 | 1.400% | | 10/8/2015 | 10/9/2018 | | 3.0 |
| Comenity Capital Bank | 20033ASV9 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.200% | | 10/31/2016 | 10/31/2018 | | 2.0 |
| Allegiance Bank | 1051695A0 | CD | 1sTEN | 125,000.00 | | 124,439.69 | 1.250% | | 7/14/2016 | 1/14/2019 | | 2.6 |
| Northfield Bank | 66612AA93 | CD | MBS | 245,000.00 | (342.01) | 244,657.99 | 1.200% | | 6/29/2016 | 4/29/2019 | | 2.10 |
| Bank of Leumi | | CD | MOSIP | 150,000.00 | | 150,000.00 | 2.450% | | 5/4/2018 | 5/6/2019 | | 1.0 |
| Bank of the West | | CD | MOSIP | 239,000.00 | | 239,000.00 | 1.350% | | 5/9/2016 | 5/9/2019 | | 3.0 |
| Wells Fargo | 9497486F9 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.250% | | 7/8/2016 | 7/1/2019 | | 2.11 |
| BMW Bank of North America | 05580ACD4 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.950% | | 7/9/2015 | 7/17/2019 | | 4.0 |
| Morgan Stanley | 61747MXT3 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.700% | | 8/3/2017 | 8/12/2019 | | 2.0 |
| Capital One NA | 14042E5R7 | CD | MBS | 245,000.00 | - | 245,000.00 | 2.100% | | 8/19/2015 | 8/19/2019 | | 4.0 |
| Tustin Comm Bank | 1052926A9 | CD | 1sTEN | 243,902.45 | | 244,069.51 | 2.50% | | 8/21/2018 | 8/22/2019 | | 1.0 |
| Morgan Stanley | 61760A-KC-2 | CD | MBS | 245,000.00 | | 245,000.00 | 2.600% | | 4/12/2018 | 4/13/2020 | | 2.0 |
| American Express Centurion | 02587DXU7 | CD | MBS | 245,000.00 | - | 245,000.00 | 2.000% | | 5/7/2015 | 5/7/2020 | | 5.0 |
| Discover Bank | 2546726000 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.900% | | 7/26/2017 | 7/27/2020 | | 3.0 |
| Ally Bank Midvale | 02006L4S9 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.900% | | 8/3/2017 | 8/10/2020 | | 3.0 |
| First Technology | 33715LAW0 | CD | MBS | 150,000.00 | | 150,000.00 | 2.000% | | 10/17/2017 | 10/30/2020 | | 3.0 |
| State Bk India NY | 856285-HL-8 | CD | MBS | 245,000.00 | | 245,000.00 | 2.450% | | 2/14/2018 | 2/16/2021 | | 3.0 |
| Marlin Business Bk | 57116APP7 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.900% | | 8/14/2017 | 2/23/2021 | | 3.6 |
| MB FINL BK | 55266C-YY-6 | CD | MBS | 245,000.00 | | 245,000.00 | 2.600% | | 3/23/2018 | 3/23/2021 | | 3.0 |
| Bristol Cnty Svgs BK | 110001-AJ-3 | CD | MBS | 245,000.00 | | 245,000.00 | 2.700% | | 4/18/2018 | 4/19/2021 | | 3.0 |
| TowneBank | 89214P-BL-2 | CD | MBS | 245,000.00 | | 245,000.00 | 2.800% | | 4/30/2018 | 4/30/2021 | | 3.0 |
| Horizon Bank Natl | 44042WBZ9 | CD | MBS | 245,000.00 | | 245,000.00 | 2.750% | | 5/4/2018 | 5/4/2021 | | 3.0 |
| Medallion Bank | 58404DCA7 | CD | MBS | 245,000.00 | | 245,000.00 | 2.950% | | 6/4/2018 | 6/4/2021 | | 3.0 |
| Mercantil Bank | 58733AEX3 | CD | MBS | 245,000.00 | | 245,000.00 | 3.000% | | 6/21/2018 | 6/21/2021 | | 3.0 |
| Bar HBR Bank & trust | 066851WF9 | CD | MBS | 245,000.00 | | 245,000.00 | 3.000% | | 6/29/2018 | 6/29/2021 | | 3.0 |
| Synchrony Bank | 87164YNU4 | CD | MBS | 245,000.00 | - | 245,000.00 | 1.700% | | 10/31/2016 | 10/31/2021 | | 5.0 |
| Capital One Bank | I404206G0 | CD | MBS | 245,000.00 | | 245,000.00 | 2.150% | | 11/13/2017 | 11/8/2021 | | 3.11 |
| Third Fed Svgs & LN | 88413QBY3 | CD | MBS | 245,000.00 | | 245,000.00 | 2.500% | | 1/30/2018 | 1/31/2022 | | 4.0 |
| First Bank PR Santurce | 33767A3U3 | CD | MBS | 245,000.00 | - | 245,000.00 | 2.250% | | 8/3/2017 | 8/11/2022 | | 5.0 |
| Goldman Sachs Bk | 38148PWT0 | CD | MBS | 245,000.00 | - | 245,000.00 | 2.650% | | 1/24/2018 | 1/24/2023 | | 5.0 |
| UBS BK USA | 90348JCR9 | CD | MBS | 245,000.00 | - | 245,000.00 | 3.150% | | 5/30/2018 | 5/30/2023 | | 5.0 |
| | | Subtotal | | 7,477,902.45 | (342.01) | 7,476,887.35 | | | | | | |
| **Total General Fund** | | | | **12,877,902.45** | | **12,890,948.01** | | | | | | |

Communication: Investments as of 8-31-19 (Investment Policy)

## CAPITAL IMPROVEMENT FUND

| Investment | CUSIP Tracking # | Instrument | Holder | Quantity | Premium / Discount | Principal | YTM | | Purchase Date | Maturity Date | Call Date | Years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Citibank Natl Assn | 17312Q-H7-7 | CD | MBS | 245,000.00 | | 245,000.00 | 2.700% | | 3/29/2018 | 3/29/2021 | | 3.0 |
| Stifel BK & TR | 86063Q-AB-1 | CD | MBS | 245,000.00 | | 245,000.00 | 2.700% | | 3/29/2018 | 3/29/2021 | | 3.0 |
| **Total Capital Improvement Fund** | | | | **490,000.00** | | **490,000.00** | | | | | | |

## ESCROW FUND

| Investment | CUSIP Tracking # | Instrument | Holder | Quantity | Premium / Discount | Principal | YTM | | Purchase Date | Maturity Date | Call Date | Years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank of Hope LA CA | 062683AL1 | 0 | 0 | ~~245,000.00~~ | | ~~245,000.00~~ | 1.45% | | 8/15/2017 | 8/24/2018 | | 1.0 |
| Community CR UN | 20369AAC4 | CD | MBS | 245,000.00 | | 245,000.00 | 1.60% | | 11/29/2017 | 11/26/2018 | | 0.11 |
| Safra Natl Bk | 78658Q-2N2 | CD | MBS | 245,000.00 | | 245,000.00 | 2.00% | | 2/28/2018 | 2/27/2019 | | 0.11 |
| Security State Bank | 1052762A6 | CD | 1sTEN | 250,000.00 | | 246,520.39 | 2.20% | | 4/25/2018 | 4/25/2019 | | 1.0 |
| Bank India New York | 06279KKW5 | CD | MBS | 245,000.00 | | 245,000.00 | 2.30% | | 5/21/2018 | 5/22/2019 | | 1.0 |
| Bank Hapoalim | 06251AU40 | CD | MBS | 245,000.00 | | 245,000.00 | 2.35% | | 8/21/2018 | 8/27/2019 | | 1.0 |
| **Total Escrow Fund** | | | | **1,230,000.00** | **-** | **1,226,520.39** | | | | | | |

| | | |
|---|---|---|
| **TOTAL INVESTMENTS FOR ALL FUNDS** | | **14,607,468.40** |
| **Total Investments by Holder** | **1sTEN** | 814,749.75 |
| | **MBS** | 13,403,718.65 |
| | **MOSIP** | 389,000.00 |
| | **TOTAL INVESTMENTS** | **14,607,468.40** |

**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.

**<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%.

# City of Creve Coeur
# Finance Committee
# FY19 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,<br>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,<br>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.