

Mike Geisel

City Administrator



690 Chesterfield Pkwy W

Chesterfield MO 63017

Phone 636-537-4711

Fax 636-537-4798

## OFFICE OF THE CITY ADMINISTRATOR

TO: Mayor & City Council

Date: October 7, 2021

RE: 2022 Budget Proposal

---

I am very pleased to submit the 2022 budget proposal to you for consideration. As we proceed through this budget cycle, I am very proud of the effort and commitment that your Department Heads have put into this proposal and I have been very impressed with the work and leadership of Finance Director Jeannette Kelly. While no budget process is fun, Jeannette has provided me a great deal of confidence in the financial data and she has positively collaborated with each department to develop what we believe to be a sound and prudent document.

We look forward to presenting the information to you at Monday's Finance and Administration Committee of the Whole. As is always the case with our budget, there is a voluminous amount of information provided in the proposal. For the purposes of our meeting and budget proposal, our analysis refers to the four major funds: The General Fund, Parks Fund, Capital Projects Fund and Public Safety Fund. As you are aware, there are multiple other funds that are not significant to our review, such as the Sewer Lateral Fund, CVTIF Fund, Police Forfeiture Funds, the ARPA Fund and multiple Debt Service Funds. This budget incorporates the American Rescue Plan Act strategy that Council approved at its meeting on September 20, 2021. ARPA Fund #137 is provided within the budget packet for record purposes. The action to approve this strategy has extremely positive impacts on our budget for the next several years.

I would like to highlight a few items from the budget proposal for your consideration:

Overall, the 2022 budget proposal for the four major funds, is \$2,069,602 in the black, revenues over expenditures. The draft budget proposed by staff includes scheduled, contracted step increases for the FOP officers and

sergeants. However, that value is prior to the inclusion of the employee compensation merit pool which has yet to be determined by City Council.

### General Fund

We are projecting to end this fiscal year more than \$1.365 million dollars revenue over expenditures and with an end of year, 2021 General Fund – Fund Balance of \$11,365,434. This results substantially from reduced expenditures, but the General Fund is also expected to exceed budgeted revenues.

Prior to inclusion of the merit pool, the 2022 end of year fund balance is projected to be \$12,385,652, or \$4.7 million above the City's 40% reserve threshold. Considering that we were concerned about single digit reserves after the purchase of the additional 8 acres at Central Park, this is truly remarkable. Even more impressively, in prior years, once the Fund Balance in excess of the 40% threshold was determined, Council would be asked to reduce that amount to fund the Snow Removal Reimbursement program, as well as the Emerald Ash Borer program. Those fund transfer requests won't happen this year, as you have already approved funding of those programs in conjunction with the ARPA strategy which results in sustaining the overall fund balance at the higher levels.

### Parks Fund

The Parks Fund ends 2021 with expenditures expected to be more than \$400,000 below budget. This includes charges for the Logan Park expenses associated with the Municipal Parks grant, even though the reimbursement revenues won't be realized until 2022. A substantial portion of the savings on the expenditure side, results from labor vacancies, which have clearly impacted our levels of service. The Parks Fund is expected to end 2021 with a Fund Balance exceeding \$1 million. Please remember, we had strategized and anticipated that the Parks Fund would likely require General Fund subsidies through 2025 due to heavy debt burden after which time the debt burden eases. However, we find ourselves with a projected 2021 Parks Fund Reserve of \$1,051,361 and anticipate a 2022 end of year fund balance approaching \$2 million, which will obviously be reduced by the impacts of the merit pool. Please know, that the Parks Fund is heavily impacted, in a positive manner, by the ARPA strategy and the City's prior contributions to the Debt Reserve Fund. The Parks debt service in 2022, has been reduced by roughly \$1.3 million due to the pre-paid debt service.

### Capital Projects Fund

This fund is not intended to carry any significant fund balance. It is expected to reflect annual capital improvement projects and other than a nominal

amount that may be beneficial for cash flow purposes, we intend to fully expend the entirety of the fund value.

#### Public Safety Fund

This fund is solely allocated to the law enforcement activity. The total law enforcement activity in fiscal 2021 is expected to be \$11,462,038, roughly \$266,000 below budgeted expenditures. On the other side of the ledger, Proposition P sales taxes are projected to generate \$2.6 million, which exceeds the 2021 budget by approximately \$100,000. The net result requires a Fund subsidy of \$7.9 million in 2021. The subsidy increases to \$8.34 million in 2022. Once again, it is important to recognize the import of the ARPA strategy on funding the law enforcement activity.

#### Debt Service

As we enter 2022, the City has debt obligations of \$24,946,675.

The debt for construction of City Hall is \$1,025,000 of the total debt. However, that amount is fully offset by funds previously set aside in the pre-paid debt service fund.

The General Fund also has \$4.8 million of debt, with a nominal debt service payment of \$125,725 in 2022 due to the structure of the 2020 debt refinancing and 2020 Central Park Land purchase. The annual debt service for this purpose in 2023-2024 is over \$1 million annually, then drops incrementally through 2029 when it is fully satisfied. However, once again, the foresight and fiscal conservancy of the pre-paid debt effectively reduces these annual payments to less than \$600,000, and fully pays the 2029 terminal payment.

The remaining \$19,130,163 of debt is an obligation of the Parks Fund. The annual debt service for 2022 – 2025 varies from \$3.3 to \$3.5 million, which is more than 1/3<sup>rd</sup> of the total Parks Fund budget. As we have repeatedly discussed, this is an exceptional burden and will require subsidy or support from other funds. The Parks Fund is the largest beneficiary of the City's commitment to pre-paid debt. Because of the current and planned pre-paid debt payments, the \$19 million obligation has been effectively reduced to \$13 million, with a 2022 reduction in debt service expenditures of \$1.3 million. Because of the pre-paid debt service, the Parks Fund remains not only solvent, but net positive revenues over expenditures.

#### Personnel:

The 2022 budget includes one additional parks maintenance worker as was planned for the final quarter of 2021. You may recall, that two were requested in the 2021 budget due to the acquisition of Logan Park and the eight (8) acres at Central Park. Council approved the first Parks Maintenance Worker in the

2022 Budget Proposal  
October 7, 2021

2021 budget and directed staff to return in the second half of 2021 to authorize the hire of the second employee, recognizing that Logan Park activity would be incrementally increased. We do not plan on hiring that second employee in 2021 and have included the position in the 2022 budget proposal.

I regretfully must advise that we continue to have substantial issues in attracting and retaining employees, both full time and seasonal. This has clearly impacted us operationally and we are not providing the level of service and quality that we expect. The reduced level of effort is readily apparent at our facilities and points of service delivery. We are focusing on our exigent needs, triaging our service provisions, and have necessarily reduced our level of effort in many areas. This is not just a Chesterfield issue, as the labor market is challenging in all disciplines. Unfortunately, it is my opinion that many agencies are over-reacting to the situation by offering hiring and retention incentives and substantially raising labor rates. Clearly the cost of labor is increasing, but the market is over-heated at the current time.

As of the time of this communication, the City has thirty (30) full-time positions vacant. During 2021, these unfilled positions will result in reduced labor expenditures of ~\$725,000. This should not be considered labor savings, as it represents lost production. It is a reduction in expenses, not intentional or desired.

#### Merit Pool

Finance Director Jeannette Kelly has provided a table which provides the financial impacts of varying merit pool values, from 2% thru 6.5%. Values are included for the total increase in employee compensation, as well as the value for the fully burdened increase in labor costs which includes the increases in social security, workers compensation, insurance, and retirement. Council's decision on the merit pool is expected to have a significant impact on our employee population in the coming year. The Consumer Price Index for the 12-month, June - June period which the City has chosen as its designated metric for comparative purposes, was 5.8%.

In summary, I feel privileged to represent the City of Chesterfield and we have demonstrated fiscally responsible behavior. We have clearly benefited by recent Federal programs, but Council has adopted sound strategies and concepts to avoid unnecessary and unjustifiable expenditures. While our budgets are prepared on an annual basis, these strategies have been developed based upon a long-term perspective of revenue trends, known debt obligations, and conservative growth projections.

We look forward to Monday's meeting. If you have any questions or issues, please let us know at your earliest convenience.