

MEMORANDUM

TO: Finance and Administration Committee of City Council

FROM: Jeremy Craig, Director of Finance and Administration

DATE: September 15, 2004

SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING

The Finance and Administration Committee met Wednesday, September 15, 2004. Those in attendance included: Chairperson Mary Brown, Ward IV, Councilmember Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, Councilmember Mike Casey, Ward III, and Director of Finance and Administration Jeremy Craig. Also in attendance was Caroline McDowell, Executive Secretary. The meeting was called to order by Chairperson Brown at 5:30 p.m.

1. Approval of Minutes – August 18, 2004

Mr. Casey made a motion to approve the minutes from August 18, 2004 and Mr. Geiger seconded the motion. The motion was approved 4-0.

2. Proposition P

In agreement with prior discussions, Ms. Durrell stated that Proposition P is important because it creates a “dedicated” account for the Parks Department where revenue garnered will stay within the Parks Department budget. Mr. Craig noted that it affects all Chesterfield residents, not only young families, because it allows for an improved quality of life and a pedestrian accessible community which enhances property values.

3. Five-Year Forecast

Mr. Craig introduced the five-year forecast as an as-is budget that does not include the revenue from Proposition P or the revenue that may be collected from new construction in the Chesterfield Mall. In comparison to last year’s document, two changes were made:

- The actual numbers from the 2003 budget were used to create the five-year budget and unnecessary expenditures were deleted. However, money would be available should any extra demands or necessities arise.
- Additional capital projects were budgeted, based on new needs, including a full financial software upgrade for the City in 2007, large Public Works equipment purchases in 2006 to absorb previous deferrals, and pool equipment replacement in 2008 as the pool begins to need age-related maintenance.

The main impact of the document is the average revenue growth of 3 percent over the five year period.

Mr. Geiger noted that a previous budget allowed for a computer software upgrade. Mr. Craig explained that the software was approved in a past budget, but later cut back to include only a small upgrade to the existing software because of budget reductions. Mr. Geiger also noted that the interest of investments will make a big increase in 2005. Mr. Craig explained that the projection reflects the increased interest earned on investments from rising rates from the economy's recovery.

In all, approximately 72 percent of expenditures are personnel (a general rule: \$60-65K constitutes a salary/benefit package for one employee); the remaining percentage is what the City functions on as a service organization. Capital expenditure remained nearly identical to the prior five-year forecast. Utility and sales taxes are the City's largest sources of revenue. The 2008 ending reserve fund balance is projected to be at 37 percent, an improvement over the last forecast that showed 20.5 percent in 2008.

The TIF bonds are moving as projected. Mr. Geiger stated that in a prior council meeting, it was voted that money left over after paying the bond provisions for each year will be "passed-thru" to the underlying taxing jurisdictions. Mr. Craig will review the bond documents and prior meeting minutes and also discuss this issue with the City Administrator. He will provide clarification to the Committee about the "pass-thru" process and its relationship to debt service, etc., at a future meeting.

Mr. Geiger was concerned that by approving this forecast, the committee is supporting a "deficit" budget. If long-term refinancing decisions were made to increase the reserve fund, he would be more comfortable in approving the document. Mr. Craig noted the City was **not** deficit spending as defined by state law because it had adequate fund reserves to pay for the projected years when projected annual operating expenditures exceed projected revenues.

Mr. Craig also noted that the five-year forecast was the best estimate with the information available and that the Resolution from the committee would read that the document had been reviewed, accepted and would be revisited after the November 2, 2004 election for reevaluation.

Mr. Geiger suggested that the committee take more time to study the document and meet prior to the scheduled October meeting to discuss the five-year forecast again. Mr. Casey agreed and asked that Mr. Craig edit the Summary of Revenue and Expenditure page to include last year's reserve fund balance and projection. Ms. Durrell also suggested that the City explore the possibility of accepting credit card payments. Mr. Craig noted that the issue has been considered and is incorporated in the forecast.

The Committee agreed on a tentative meeting date of October 5, 2004 and Ms. McDowell would send an email to confirm.

Ms. Brown adjourned the meeting at 7 p.m.