

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Brian Whittle, Assistant Director of Finance and Administration
DATE: January 31, 2012
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Monday January 30th, 2012. Those in attendance included: Chairperson Mike Casey, Ward III; Councilmember Matt Segal, Ward I; Councilmember Elliot Grissom, Ward II; Councilmember Bob Nation, Ward IV; Mayor Bruce Geiger; City Administrator Mike Herring; Assistant City Admin. for Community Services/Economic Development, Libbey Tucker; City Attorney, Rob Heggie; Financial Advisor, Michelle Bock; Special Legal Counsel, Jim Mello; and, Assistant Director of Finance/Administration Brian Whittle. Those also in attendance included Councilmember Randy Logan, Ward III; Councilmember Connie Fults, Ward IV; Councilmember Derek Grier, Ward II; and John Mulligan, Attorney. Representatives from Chesterfield Arts, the proposed Blue Valley development and AT&T were also in attendance. were in attendance.

Chairperson Mike Casey called the meeting to order at 5:30 p.m.

1. Approval of Minutes—October 24, 2011

Councilmember Nation requested the minutes be amended to reflect that a cost-share program for repairing private streets was requested at the last meeting. Councilmember Grissom motioned to approve the amended minutes from the October 24, 2011 meeting of this Committee. Councilmember Segal seconded the motion. A voice vote was taken, with a 4-0 result, and the motion was approved.

2. Chesterfield Arts – Proposal/Request for Funding

Ms. Tucker stated that Chesterfield Arts was requesting funding for a public art project that is in accordance with the Art Master Plan. The project would engage colleges and universities within a 100 mile radius, including the University of Missouri – Columbia, in order to design and complete a sculpture. Chesterfield Arts is requesting \$25,000 from the City towards the project which has a total budget of \$77,500. Additionally, the City will provide in-kind work such as site-selection, site prep, landscaping and installation oversight.

Stacey Morse, Executive Director of Chesterfield Arts, said this project was next in the list of projects that were designed in accordance with the Arts Master Plan. She also felt that the project, along with others, could bring the City national attention. Finally, she

said that Chesterfield Arts is planning on having Maya Lin, who created the Vietnam Veterans Memorial, as a spokesperson to launch the project.

Councilmember Nation stated he was supportive of the project but wanted the City to have ownership of the art work. Ms. Morse said that is something that can be detailed in the final contract.

Councilmember Grissom made a motion to recommend that City Council allocate \$25,000 from General Fund Fund Reserves for the project. Councilmember Nation seconded the motion. A voice vote was taken, with a 4-0 result, and the motion was approved.

3. CID Request Blue Valley

Ms. Tucker stated that Chesterfield Blue Valley has applied for a Community Improvement District (CID) to encompass the entire development, which includes the outlet mall proposed by Simon Properties and Woodmont Development. She stated that they are requesting a 1% sales tax for the entire Blue Valley area which would bring the tax rate in that area to 9.3%. A 9.3% tax rate is comparable to the average sales tax in many parts of St. Louis County and surrounding counties. She noted that the CID would eventually have a Board with City representation. Part of the funding for the CID would be through multiple debt issues for a maximum amount of \$30 million. The debt issues could only fund improvements that the public would benefit from, such as the Arts, streets, and landscaping, among other improvements. She said the City does NOT guarantee the bonds and will put no City funds into the CID. All bonds can only have a maximum term of 20 years. Any City costs, related to the project, will be funded by a preliminary funding agreement with Chesterfield Blue Valley.

Ms. Bock, Financial Advisor, said her firm's involvement was limited to making sure the project was feasible and the bonds will sell. She said her firm, Piper Jaffrey, received revenue projections from Blue Valley and looked at them conservatively. She said based on that conservative analysis, the project is feasible and that the CID could get \$15 million in bond funding with an initial issue and go back at a later point for more funding.

Mayor Geiger asked when the 20-year term started on the bonds. Mr. Mello clarified that the 20-year life starts when the bonds are issued but the CID can run longer than the 20 years.

Chairperson Casey wanted to know if the size of the CID area could be increased in the future by the CID. Mr. Mello stated that after approval by the Council, the size could not be increased without City Council approval. Mr. Herring clarified that the CID application is for the entire parcel of land and not just that portion of the total parcel which has been identified for the outlet. Mr. Herring also noted that the total bonds issued would be capped at \$30 million and not the \$41 million in identifiable projects. Mr.

Mello noted that the list of identifiable projects was included only by way of confirming that there were more than enough projects to warrant a \$30 million bonds issuance.

Councilmember Nation asked if the \$30 million in bonds would be spent entirely on the first project whose costs total \$85 million. Mr. Mello replied that those costs have not yet been allocated. Mr. Mello also noted that many of the costs would apply to the entire Blue Valley parcel and not just to that portion designated for the Premium Outlet Mall. Those costs could include water/sewer/gas line extensions and interior road improvements.

Councilmember Nation then noted that the CID could use a property tax assessment to recover funds. He asked for clarification that any property assessment would only be on the Blue Valley property and not on residents. Mr. Mello stated that any assessment would only affect the CID parcel and that any property tax would be a stop-gap measure if sales taxes were to not perform, as anticipated.

Councilmember Logan stated that he wants this project to be successful but had concerns about what improvements would be cut from the project if revenues do not match projections. Steve Dworkin of Simon Property Group stated that any items the City is concerned about could be put in the Development Agreement. Mr. Mello clarified that the Agreement could state that certain objectives would need to be met in order to qualify for the debt.

Councilmember Segal asked how many jobs would be created during the construction and then once the project is complete. Mr. Dworkin estimated that during the construction 400-500 people would be working on site with that number increasing during the final stages. He stated that there will be approximately 90-100 retail tenants which should generate approximately 1,000 full and part-time jobs.

Mr. Herring asked how many people would visit the outlets and if they knew what percent would stay overnight or visit other places in the area. Mr. Dworkin replied they estimate there will be 3.5 million visitors and many of those will be from hours away. He did not have an estimate of how many would go to other places, but he stated that he would happily put the City in touch with Mayors and Councilmembers from other Cities that have similar projects. Marian Nunn of Simon Property Group noted that this project will add a third economic engine to the City of Chesterfield. Mr. Dworkin further commented that their experience with similar projects in other locations confirmed that Premium Outlet Malls have a "halo effect" of encouraging development around them and that shoppers visiting the Outlet Mall would very likely shop in other locations, within Chesterfield, before returning to their homes.

Mayor Geiger stated he is in support of this project but only if the premium outlet mall will be built. He did not want the CID to have authority to issue \$30 million for anything other than the Premium Outlet Mall, at least until that Outlet Mall has been built. He also wanted to make sure that costs of the projects are limited and defined, as opposed to being open-ended.

Mr. Mello stated that fortunately, the City Council added a step in their CID application process which makes it possible for the City to address the issues that Mayor and other Councilmembers have discussed. He stated the extra step allows all these issues to be addressed at these initial meetings and then put into the Development Agreement with the CID before the Council makes their final vote. He said the agreement can have triggers that terminate the CID if requested projects like the Outlet Mall are not completed.

Mr. Herring asked what the next steps of the CID process are. Mr. Mello said that, assuming the Committee votes to forward this CID to the full Council, a Resolution of Approval will be prepared and placed on the next City Council AGENDA. Then a formal petition will be filed to establish the CID, and a public hearing will be held and the Council would vote on the formal petition.

Councilmember Grissom made a motion to forward the Blue Valley CID application to City Council, for consideration at the 2/6/2012 City Council meeting. Councilmember Segal seconded the motion. A voice vote was taken, with a 4-0 result, and the motion was approved.

4. AT&T Tax Payments and T.S.P. Applications

Mr. Herring reminded everyone that City Council voted unanimously to HOLD the T.S.P. applications, at the January 4 City Council meeting, and refer them to the F&A Committee, due AT&T's failure to pay taxes on the data service plans. He introduced and welcomed Mr. Mulligan to the meeting who had worked with Missouri municipalities in the successful resolution of prior lawsuits with AT&T.

Mr. Heggie stated that the 5% gross receipt tax had been in place since 1988. Beginning in 2008, AT&T paid the gross receipts tax on their data plans as part of the cellular telephone tax settlement. Starting in September 2010, AT&T unilaterally stopped remitting gross receipts tax on the data plans. He said that City ordinances require Telecommunication Site Plan applicants to be in compliance with all ordinances and City requirements, including the payment of all taxes owed. Mr. Whittle noted that AT&T has not paid approximately \$135,000 on the data plans based on conservative estimates.

Mr. Mulligan stated that many municipalities filed a motion in January, 2011 to enforce the cell phone agreement and require AT&T to pay the gross receipt tax on the data plan. That case was heard by Judge Drumm and everyone is currently waiting on the Judge's ruling.

Craig Felzien of AT&T stated that he has always had a great working relationship with the City of Chesterfield and in particular, with City Administrator Herring. He said that AT&T is updating their network to 4G and is requesting the T.S.P. applications in order to do that. He would like the City to separate the "tax issue" from the permits requests.

Jeff Lewis of AT&T said he felt this was a very important issue and would also like to see the T.S.P applications separated from the tax issue. He stated, that by federal law, he will have to file a law suit within 30 days if the applications are not approved, but that is a step that AT&T wants to avoid.

Mr. Herring asked if AT&T would begin paying the tax under protest. Chip Robertson said that was not an option because they did not believe that any tax was due and it would put AT&T at a competitive disadvantage.

Councilmember Nation stated that he did not want to hold up the permits. Councilmember Nation made a motion to recommend approval of the applications. The motion died for a lack of a second.

Councilmember Segal made a motion to recommend that City Council affirm its vote to deny the T.S.P. applications. Councilmember Grissom seconded the motion. A voice vote was taken, with a 3-1 result, and the motion was approved with Councilmember Nation voting against.

5. Financial Update

Due to time constraints, Chairperson Casey simply noted that the latest financial update, prepared by Mr. Whittle, had been included in the packet. He noted the good financial news contained within that update and suggested that any questions be referred directly to Mr. Whittle.

6. Adjournment

There being no further business to discuss, Chairperson Casey adjourned the regular meeting at 7:50 p.m. The Committee's next meeting has been tentatively scheduled for Monday, February 27th, at 5:30pm.