

MEMORANDUM

TO: Finance and Administration Committee of City Council
FROM: Jeremy Craig, Director of Finance and Administration
DATE: October 27, 2005
SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING

The Finance and Administration Committee met on Thursday, October 27, 2005. Those in attendance included: Chairperson Jane Durrell, Ward I, Councilmember Dan Hurt, Ward III, Councilmember Mary Brown, Ward IV, Mayor John Nations, City Administrator Mike Herring, Assistant City Administrator for Economic and Community Development Libbey Simpson, Director of Finance and Administration Jeremy Craig. Also in attendance were Councilmember Mike Casey, Ward III, and Executive Secretary Caroline McDowell. The meeting was called to order by Chairperson Durrell at 5:35 p.m.

1. Approval of Minutes—October 5, 2005

Councilmember Brown motioned to approve the minutes from October 5, 2005 and Councilmember Hurt seconded. The minutes were approved 3-0.

2. Review of 2006 Budget

Mr. Herring commended Mr. Craig for his time and work on the proposed budget, and then provided the following summary:

- The FY2005 surplus is projected to be just above \$300,000 and currently the revenue projections for 12/31/05 are within .28% accuracy.
- The FY2006 Budget projects an unallocated surplus of almost \$400,000. Mr. Herring noted that the unallocated surplus was IN ADDITION to the \$400,000 already transferred, within the context of the proposed budget, to the Capital Improvement Fund (R&S). Mr. Herring suggested that the F&A Committee recommend to Council, for future budget years, that the requirement to transfer \$400,000 from the General Fund to the Capital Improvement Fund be eliminated. This would allow the funds to remain unallocated within the proposed budget and to then be available for City Council to spend at its discretion. Mr. Herring clarified that he would recommend such a transfer ONLY IF an unallocated surplus was projected.
- In the General Fund, four (4) new staff positions have been proposed; in the Parks Fund, two new staff positions have been proposed. All positions are warranted in the context of their respective departments and are fully-funded within the proposed budget.
- Large capital items are on a rotation and, therefore, capital expenditures closely resemble prior years. All capital equipment items included within this category are funded by the General Fund. At the direction of City Council, the Capital Improvement Fund has been refocused and all funds within are used solely for personnel directly responsible for managing those capital projects, debt service and capital street/sidewalk improvement projects.
- Fund Reserves, as of 12/31/06, are projected to be 67% higher than established Council Policy.
- The Chesterfield Valley continues to grow and total sales are projected to increase. Valley growth also contributes to the TIF, whose debt service is being paid off faster than anticipated and will, when paid off, result in more funds available for capital street/sidewalk projects, as well as those items funded by the Parks Fund.
- The Parks Fund projects a surplus of \$215,000 for FY2005, a trend that will continue for FY2006, resulting in a projected surplus, as of 12/31/06, of just over \$1.4 million. As approved by City Council, this projected surplus is to be set aside and used to fund the construction of additional parks improvements on a cash basis.

- Overall, the FY2006 budget is positive and allows City Council to continue to serve the needs of our community.

Councilmember Hurt expressed his concerns that new Staff positions were not projected beyond FY2006 and that the City should plan now for any future positions. He also expressed concerns that natural gas revenues and expenditures for motor fuels within the proposed budget did not reflect market trends. Mr. Herring noted that he had discussed personnel issues at a previous meeting of the F&A Committee and that the Committee had concurred with his plan NOT to include any projected new personnel in the Five-Year Forecast. Mr. Craig explained that the natural gas revenues and expenditures were readjusted after the last F&A Committee discussion and a 31% increase was budgeted for natural gas, an average percentage over the next year supported by market analysts.

Mr. Herring noted that the proposed budget included and fully-funded a recommendation to increase the allocation for Chesterfield Arts to a total of \$25,000. Both he and Mayor Nations, on separate occasions, spoke with the organization's President and Executive Director, and agree with their suggestions as to the many positive contributions to Chesterfield that this increased funding would enable. Mayor Nations, Councilmember Brown and Councilmember Casey all expressed support to increase that number to an annual appropriation of \$50,000. Mr. Herring responded that such an appropriation could easily be accommodated by the Parks Fund.

Councilmember Brown shared with the members of the Committee that she would be requesting that the budget allocation for "Beautification" be increased from \$40,000 to \$50,000. Mr. Herring commented that this budget expense is funded by the Parks Fund.

All of the above will be discussed with City Council, at the Committee-of-the-Whole Budget workshop.

3. Retirement Provider Transfer Update

Mr. Craig updated the Committee on the status of the transfer to the City's new retirement plan provider. The initial group and individual meetings with employees were held and were a success. Participation in the 457 plan increased from 45 to 65 percent, and almost half of the employees who met with the advisor signed up for Portfolio Plus, the plan under which RPA professionally manages an employee's portfolio for a 1% fee. Only about 65 employees did not attend an individual meeting; the RPA advisor is scheduled for additional group and individual meetings in November to accommodate those who did not meet with him and also for employees who met with him earlier but wanted the opportunity for a more detailed discussion.

4. Recommendation of Financial Seminars

Upon completion of CBIZ's study of new retirement providers for the City, it was recommended that the City have an all-encompassing program for financial planning. CBIZ suggested that the proposal runner-up, AG Edwards, provide financial seminars for all employees, covering a wide-range of financial issues. Mr. Craig explained that RPA specializes only in retirement planning and having an unbiased third-party other than RPA conduct these seminars would be in the best interest of the employees.

The seminar program would be a two-year program with costs not to exceed \$25,000 per year. Due to a previous decision by F&A, these seminars would be paid entirely by retirement plan forfeitures at NO COST to the General Fund. AG Edwards would make seminars available during the day and evening and would provide any necessary materials.

[Mayor Nations and Councilmember Casey left the meeting at this point.]

Councilmember Brown motioned to have AG Edwards provide a two-year financial seminar program for all City employees, not to exceed \$25,000 per year, with the total cost paid from retirement plan forfeitures. Chairperson Durrell seconded and the motion passed 3-0.

5. Recommendation of Year-end Budget Amendments

Mr. Craig explained that budget transfers do not change the overall bottom line of the budget but simply move funds to better reflect actual revenues and expenditures. Many of the budget transfers are associated with bringing the “Economic Development” function in-house under the Office of the City Administrator. Budget amendments, which do change the overall budget, include: increases in legal services; natural gas tax and telephone tax; reappropriating the Pathway on the Parkway funds that lapsed in 2004 because they were used in 2005; increasing TIF revenue sources and transferring appropriate funds for debt service. Overall, the transfers and amendments all result in additional savings for the City.

Councilmember Brown motioned to recommend to Council to approve all budget transfers and amendments. Chairperson Durrell seconded and the motion passed 3-0.

6. Proposed 2006 City Council Meetings

Mr. Craig presented the calendar of meetings for 2006, reflecting all holidays. Mr. Herring added that the calendar can be adjusted later if necessary. Councilmember Brown motioned to recommend to Council to adopt the proposed 2006 City Council meeting calendar. Chairperson Durrell seconded and the motion passed 3-0.

7. Other Items

Ms. Simpson noted that she has been receiving positive responses from CCDC Board members, who were each invited to join the newly-created Chesterfield Development Advisory Council. One member declined the invitation and some others have not yet responded. Some had expressed interest in representing one of the twelve specific economic sectors identified in the proposal approved by City Council. Mr. Herring said that the Mayor will take all requests into consideration when he makes the final decision regarding appointments to the Advisory Council.

8. Next Meeting/Adjournment

The next meeting is to be determined. The meeting was adjourned at 6:45 p.m.