

MEMORANDUM

TO: Michael G. Herring, City Administrator
FROM: Kelly L. Vaughn, Director of Finance and Administration
DATE: September 23, 2009
SUBJECT: Finance and Administration Committee Meeting

The Finance and Administration Committee met on Wednesday, September 23, 2009. Those in attendance included: Chairperson Bruce Geiger, Ward II; Councilmember Randy Logan, Ward III; Councilmember Connie Fults, Ward IV; Councilmember Matt Segal (arrived at 5:40 p.m.), Ward I; City Administrator Mike Herring; and Director of Finance and Administration Kelly Vaughn; Those also in attendance were Councilmember Mike Casey, Ward III; Councilmember Lee Erickson, Ward II; Assistant City Administrator for Community Services and Economic Development Libby Malberg; and Assistant Director of Finance and Administration Brian Whittle.

Chairperson Bruce Geiger called the meeting to order at 5:30 p.m.

1. Approval of Minutes—August 24, 2009

Councilmember Fults motioned to approve the minutes from the August 24, 2009 meeting of this Committee. Councilmember Logan seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

2. Discussion Regarding THF Art License Agreement

Ms. Malberg provided a brief overview of the THF Art License Agreement and location of the art work. Councilmember Logan inquired about the upkeep of the art work. Ms. Malberg stated that there was a hold harmless provision in the agreement and that THF would take care of items like grass cutting and graffiti.

Councilmember Logan motioned to recommend approval of agreement to the City Council. Councilmember Fults seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

Councilmember Segal arrived after this voice vote was taken.

3. Recommendation for Auditing Services

Ms. Vaughn stated that the Finance Department issued an RFP for auditing services on August 7, 2009 and that five firms replied to the RFP. She stated that the lowest bid was from Pritchard Osborne but they had received a less than acceptable peer review letter, which removed them from consideration. She stated the next lowest bid was submitted

by the City's current auditor Hochschild, Bloom, and Company (HBC) followed closely by Kerber, Eck, and Braeckel (KEB).

Ms. Vaughn recommended HBC based on the lowest bid and positive experience when working with the firm. Ms. Vaughn next stated that there was some talk about changing the firms because of the risk of a relationship forming between a City and the auditor when the same auditor has been used for many years. Councilmember Logan asked how long HBC had been auditing the City. Ms. Vaughn replied that they had been the auditor for six years and were preceded by Rubin Brown.

Mr. Herring elaborated on the relationship between the City and Auditor and felt that because of the recent turnover in Finance Directors that was not an issue. Ms. Vaughn also stated that there had been changes at HBC and their former lead on the audit now worked for KEB.

Councilmember Geiger stated that three years ago when HBC was last approved he felt that the City should change auditors at the end of the contract. However, he felt that because of the turnover he was comfortable recommending HBC again.

Councilmember Casey asked why only five firms responded to the RFP given that there are over 100 firms in the area. Ms. Vaughn stated that those were the only ones to respond to the publically issued RFP. Councilmember Geiger stated that municipal accounting is different than regular accounting and this limits the firms that operate in the field.

Councilmember Fults motioned to recommend approval of HBC to City Council, for a three year contract. Councilmember Logan seconded the motion. A voice vote was taken, with a unanimous result, and the motion was approved.

4. Discussion Regarding FY2009 Financial Update

Ms. Vaughn presented a financial update for the period ending August 31, 2009. She stated that there were no significant changes in financial performance since last month's financial update. She next stated that reductions in expenditures were being made to offset the reduction in revenues.

Ms. Vaughn said the City is currently working on the 2010 budget and departments are examining the remaining 2009 budget to look for further reductions.

Councilmember Segal asked if the Parks Five Year Forecast approved by City Council last month, was being used for the Parks budget. Ms. Vaughn stated that the Parks Plan is being used for the Parks budget and the numbers will not increase.

Councilmember Logan asked which of the three sales taxes the City receives: Parks, General, or Capital, best reflected sales within the City. Councilmember Geiger stated

that Parks Sales Tax best reflected the performance of the City. Councilmember Logan said that Parks was down the least and that indicated that the City was performing better than the rest of the region.

Councilmember Erickson said that because the economic downturn hit the City later than the rest of the country he wondered if the City would also be later to rebound. He also said he was surprised by the large number of vacancies at the Mall. Councilmember Segal stated the Mall is reflective of a national retail trend which is moving toward less enclosed Mall structures. He felt the Mall will have to change its concept to improve.

Mr. Herring felt that the Mall needed to improve the exterior and interior to attract customers. He said that the new developments at the Mall like the Cheesecake Factory were impressive and a step in the right direction.

Councilmember Segal said the vacancies in the Valley were higher than at the Mall and that was in contrast to a few years ago when there were waiting lists to open a store there. Councilmember Fults stated that based on her discussions with business owners, part of the problem was businesses are not able to get funding to open the stores.

Mr. Herring stated that he is working with Sachs Property to arrange a meeting with someone at CBL Properties, the current Mall owner, to discuss current and future plans for the Mall. Councilmember Geiger stated that the parking lot was becoming a real issue at the Mall. Councilmember Segal stated capital improvements were not likely to be made in 2009 or early 2010 because a lot of the commercial real estate companies are holding on to cash whenever possible as a result of the economic downturn.

Councilmember Geiger noted that revenues are down almost \$400,000 in the General Fund and that means cuts are being made to balance the budget. He was not sure how many of the cuts are deferrals or permanent. He also wondered how much longer this downturn will last. Ms. Vaughn noted that other revenues are performing above projections and reminded everyone of the \$1.1 million AT&T settlement.

Mr. Herring stated that the Departments are very aware of the situation and are doing everything possible to watch expenditures. Councilmember Geiger stated we will have to reexamine the reality of future revenue collections and forecast conservatively next year.

Councilmember Fults questioned if the Downtown Chesterfield Development will cannibalize sales from the Mall. Mr. Herring felt that developments are different from each other and will attract a different type of tenant. Councilmember Segal said the development will be similar to the Boulevard in Brentwood.

5. Fund Reserves Update

Ms. Vaughn discussed the General Fund Reserve. She said the estimated reserves were changed to reflect the \$706,000 to cover costs associated with the Parkway medians and \$10,000 to cover costs associated with the Eberwein property. She noted that the amount in excess of the 40% requirement was approximately \$3 million. She said that the Parks Fund Reserve is approximately \$1.4 million over the 40% policy.

Mr. Herring noted that the 40% policy of the City was higher than most of the country which uses 25%. He also stated that the \$3 million in excess of that policy was extremely impressive.

4. Adjournment

There being no further business to discuss, Chairperson Geiger adjourned the meeting at 6:05 p.m.