



DATE: August 17, 2009

TO: Michael G. Herring, City Administrator

FROM: Darren Dunkle, Director of Parks and Recreation

SUBJECT: Meeting Minutes – 8/3/09 Parks and Recreation Committee-of-the Whole

A meeting of the Parks and Recreation Committee-of-the-Whole took place on Monday, 8/3/09. Those in attendance included Chairperson Mike Casey, Ward 3, Councilmember Matt Segal, Ward 1, Councilmember Bruce Geiger, Ward 2 and Councilmember Bob Nation, Ward 4. Also in attendance were Mayor John Nations, Councilmember Barry Flachsbart, Ward 1, Councilmember Lee Erickson, Ward 2, Councilmember Connie Fults, Ward 4, City Administrator Mike Herring, Director of Planning and Public Works Mike Geisel, Director of Finance and Administration Kelly Vaughn, Financial Advisor Michelle Bock, Director of Parks and Recreation Darren Dunkle, Assistant Director of Parks and Recreation Steve Jarvis, Superintendent of Recreation Operations Kari Johnson, and Peggy Morgan of the Chesterfield Parks and Recreation Citizen Advisory Committee.

Agenda Item #1: Call to Order – Chairperson Casey called the meeting to order at 5:30 p.m.

Agenda Item #2: Approval of Minutes - Councilmember Geiger motioned and Councilmember Nation seconded to approve the June 25, 2009 minutes. The motion was approved by a vote of 4-0.

Agenda Item #3: Opening Comments – Phase Two of Parks Plan – Mayor Nations gave an overview of Proposition P and the Capital Improvements that have taken place thus far, and stated that the City has completed and delivered everything that was promised and then some. The Mayor stated that tonight’s vote and subsequent actions will be a big milestone for the City and the Parks and Recreation System, since what the City delivers in Phase Two, will serve the needs of the greater Chesterfield community, for years to come. The Mayor went on to commend Staff, Past and Present Councilmember’s, and Ms. Bock, the City’s Financial Advisor, for their efforts and hard

work. The Mayor closed with stating that he fully endorsed the Plan as submitted by Staff.

Agenda Item #4: Staff Recommendation – Phase Two of the Parks Plan –

Chairperson Casey next recognized City Administrator Mike Herring, who first stated that he wished to commend, to everyone in attendance, the work of Director of Parks/Recreation Darren Dunkle, Director of Planning/Public Works Mike Geisel, Director of Finance/Administration Kelly Vaughn and Financial Advisor Michelle Bock. Tonight's presentation regarding the completion of PHASE TWO is the direct result of their work to fine-tune all aspects of this recommendation.

Mr. Herring stated that Staff has met over the past months to review/discuss the FY2009 Parks Fund Budget, in an attempt to identify opportunities for budget savings and/or expenditure deferrals. This process was undertaken, primarily, due to shortfalls in Parks sales tax revenue. As a result of these interactions, Staff found just under \$628,000 which can be removed from this year's budget and either eliminated entirely or deferred until future years. Mr. Herring specifically noted that \$200,000 of that total had previously been set aside for "public art". As a result of these "cuts", the total of all of the operational expenditure accounts, within the Park Sales Tax Fund, is now proposed to be \$3,984,373, reduced from the currently-adopted budget of \$4,612,179.

When added to the \$2,717,355 set aside for Debt Service Payments and then compared to total revenue projections, the Fund Balance for the Parks Sales Tax fund, is projected to increase by almost \$428,000, as of 12/31/09. Mr. Herring pointed out this will occur, despite the fact that total revenues have been reduced by \$200,000. Mr. Herring noted that the amount set aside for debt service payments includes the \$1,000,000 already approved and allocated, by City Council, for debt service payments regarding Phase Two.

If approved by City Council this evening, the revised FY2009 Budget, of \$3,984,373 will become the basis for the Five Year Budget, for years 2010-2014. Staff has spent an extensive amount of time reviewing each of the coming five years and is projecting very modest increases in total revenues, over that time, of less than 3%/year. Assuming a completion of all of the Phase Two projects, by January 1, 2011, Staff also reached

specific agreement on the following totals for operational expenditures, for each of those years:

FY2010 - \$4,155,654 (+ \$171,281, or +4.2%) (3 new employees cut from FY2009 reinstated)
FY2011 - \$4,597,128 (+ \$441,474, or +10.6%) (Phase Two completed; employees/equipment added)
FY2012 - \$4,633,276 (+ 36,148, or +.7%)
FY2013 - \$4,762,085 (+\$128,809, or +2.8%)
FY2014 - \$4,925,080 (+162,995, or +3.4%)

When added to the amounts set aside for debt service payments and then subtracted from projected total revenues, Staff projects the following amounts being added to the Parks Sales Tax Fund's Fund Balance each year, resulting in the addition of just over \$977,800 by 12/31/2014:

FY2010: + \$328,994
FY2011: + \$47,955
FY2012: + \$170,928
FY2013: + \$210,523
FY2014: + \$219,434

Mr. Herring again reminded City Council that the total amounts shown for "debt service", each year, include the \$1,000,000 approved by City Council for Phase Two!

Mr. Herring next discussed/explained the following:

1. He called attention to the fact that, despite the projected addition of \$328,994 to the Fund Balance, as of 12/31/10, total Fund Balance is shown as actually being reduced from the 12/31/09 total, of \$4,081,786, to a new total of \$3,306,895. That is due to the expenditure/transfer of \$1,103,885, from the Parks Fund, to the appropriate construction account, as previously approved by City Council, to cover a portion of the Phase Two costs. In spite of this and even with the growth of the Parks Fund operational expenditure accounts, available fund reserves, above and beyond the 40% policy, never drop below \$1,500,000, during the forecast period. In fact, the total Fund Balance actually grows to just under \$4 million and available Fund Reserves, actually grow to just under \$2 million, as of 12/31/2014.
2. As noted previously, the proposed expenditure totals, for FY2009 and beyond DO NOT INCLUDE the \$200,000 currently allocated for "public art". Mr.

Herring stated that, in Staff's estimation, we are simply not able to commit to that level of expenditure, on annual basis, at this time. Obviously, should City Council wish to fund that expense, it will reduce all of the projections for Fund Balance. Mr. Herring suggested, as an alternative, that it might be best to simply review the performance of the Parks Fund each year and make a determination, on 12/31 of each year, as to whether or not an appropriation can/should be made, for "public art".

3. As noted previously, revenues within the FY2009 Budget have been reduced by \$200,000. Based on recent sales tax receipts, a trend cannot be established. However, recent reports indicate the pace of the decline in the economy is slowing and consumer spending is beginning to stabilize. Therefore, sales tax revenue performing at the original FY2009 Budget level remains a possibility. Revenue from other sources within the Parks Sales Tax Fund is approximately \$63,000 above the same time period last year. However, we have not adjusted the FY2009 Budget to reflect this performance. Additionally, we have not included the Soda Exclusivity revenue of approximately \$20,000 annually, in the projections for future years.

Mr. Herring summarized the presentation, as of this point, and noted that the revised numbers recommended for FY2009, as well as the revised Five Year Forecast (2010 – 2014) clearly confirm the Parks Departments' ability to not only operate within its financial means, but to do so with the FULL ABSORPTION of the FULL SCOPE of the planned Phase Two parks improvements, including utilization of the entire \$1 million set aside for debt service for Phase Two.

Mr. Herring noted that, based upon the approval/direction already given by City Council to fund the first portion of Phase Two, Staff has proceeded to initiate design and construction of all remaining Phase Two improvements. Mr. Herring reminded City Council that Staff's estimated for the completion of all of the Phase Two improvements was estimated to total \$16,560,890. Of this amount, \$1,157,005 was committed from General Fund – Fund Reserve and \$1,103,885 (as noted above) was committed from Parks Fund – Fund Reserves, leaving \$14,300,000 to be debt financed. Staff's original

proposal assumed that a single bond issuance would be executed to net \$14,300,000 and the interest earnings would be used to offset expected construction costs increases.

Since that time, \$4.6 million in bonds were issued, in 2008, netting \$4,502,127 for Phase Two improvements. Accordingly, the final debt issuance must net a minimum of \$9,797,873 to fund all of the proposed Phase Two improvements. Since City Council elected not to issue the entire debt initially, due to unfavorable interest rates, we were not able to realize the anticipated interest earnings, on the entire amount. As a result, Mr. Herring encouraged City Council to value this next issuance to net \$10 million.

\$16,560,890	Original Phase two estimate
\$1,157,005	Committed from General Fund – Fund Reserve
<u>\$1,103,885</u>	Committed from Parks Fund – Fund Reserves
\$14,300,000	Debt financed
\$4,502,127	Net proceeds from 2008 issuance
\$9,797,873	Minimum net additional proceeds required (\$10 Million desirable)

From a progress point of view, the City has already contracted for \$5,942,291 for phase two improvements:

\$2,051,231	East CVAC Pkg. Lot, Change orders #1 & #2 – Frederick Const.
\$ 240,560	Landscaping, irrigation and Lighting East CVAC Pkg. lot
\$ 760,000	HDR Design Contract, Central Park
\$ 520,000	EDSI Design Contract, CVAC
<u>\$2,370,500</u>	CVAC “F” athletic Fields
\$5,942,291	Total committed (\$820,726 remains immediately available)

With all of this in mind, Mr. Herring confirmed that he has communicated with the City’s Financial Advisor, Michelle Bock, to determine the timeliness and feasibility of a bond issuance to fund the remainder of the Phase Two park improvements. Mr. Herring asked Ms. Bock to explain her recommendation.

Ms. Bock reported that the current environment represents a good opportunity to issue the remaining debt, in order to net \$10 million in bond proceeds. She indicates that the City has an opportunity to issue “Build America” taxable bonds which provide for a 35% rebate of the interest paid, which could result in very favorable interest rates to the City. In fact, the current model provides for lower rates than achieved by the City in the 2008 Parks issue. As is always the case, the current environment is volatile and she

indicated that interest rates are not expected to go down and could increase, resulting in less favorable numbers. She confirmed that now is a good time to issue debt; however, the City's "window" to issue that debt is limited. She pointed out she had selected Edward Jones as the bond underwriter, for this issuance, and that "Jones" has agreed to market the bonds with a 5-year call provision, which could provide a significant advantage to the City.

Mr. Herring added that issuing debt at this time allows the expedited Phase Two design and construction progress to continue, without interruption. Any delays or hesitation at this juncture will result in Staff deferring development of bid packages and design approvals, until construction projects are funded and ready to proceed.

Mr. Herring summarized his presentation by asking that City Council take the following actions:

- Approve the revised FY2009 Budget, for the Parks Sales Tax Fund, as detailed above;
- Approve the proposed Parks Sales Tax Fund's Five Year Forecast, for years 2010 – 2014, as submitted;
- Approve the issuance of bonds, netting \$10 million, at an annual debt payment rate of \$1 million per year for a twenty-four (24) year period, which contains a five year call provision, after which the City can re-evaluate its options and either reduce the overall debt, reduce interest or reduce the term of the debt. This will give the City the greatest amount of flexibility. Mr. Herring noted that, if approved, City Council would have to give two readings of the legislation authorizing this debt issuance, on September 9th and September 21st).

Agenda Item #5: Discussion/Votes –

A motion was made by Councilmember Flachsbart, seconded by Councilmember Fults, for Council to approve the Adjusted FY2009 Budget; the Five Year Budget for years 2010 – 2014; and to allow Financial Advisor Michelle Bock to move forward with the bonding of \$10 million at an annual debt payment rate of \$1

million per year for a twenty-four year period, which contains a five-year call provision.

There followed a substantial amount of discussion, by Mayor Nations and various members of the Council. Considerable discussion took place regarding the pros and cons of bonding out for 20 years, as opposed to 24 years, as recommended by Staff.

Ms. Bock commented that cash-in-hand is an important consideration, during this changing economy and she again re-stated her recommendation that City Council limit its total debt service payments, for Phase Two, to \$1 million/year. She again discussed the potential advantages of the 5-year call provision.

A motion was made by Councilmember Erickson, seconded by Councilmember Geiger, to amend the motion made by Councilmember Flachsbart to bond out for a maximum of 20 years and to increase the annual debt service payment to \$1,070,000. The motion failed 3-4 with Councilmember's Erickson, Geiger and Nation voting "YES" and Councilmember's Fults, Casey, Segal, and Flachsbart voting "NO".

Councilmember Geiger commented that, while he would prefer limiting the debt to 20-years, he commended Staff on their recommendation and urged City Council to vote unanimously to approve moving forward with Phase Two. A vote was then taken, on the original motion, made by Councilmember Flachsbart and seconded by Councilmember Fults. The motion was approved unanimously, by a vote of 7-0.

Agenda Item #6: Next Meeting? – Chairperson Casey stated that the next regular meeting of the Committee will take place on Monday, August 31, 2009, at 5:30 p.m. at City Hall.

Agenda Item #7: Adjournment – The meeting was adjourned at 6:21 p.m.