

**Minutes of Meeting
City of Ladue
Finance, Revenue, and Taxation Committee
October 23, 2018**

A meeting of the Finance, Revenue, and Taxation Committee for the City of Ladue was held on October 23, 2018 at 8:00 a.m. in the City Hall Council Chambers. The following members were present:

Chairman Joseph Gazzoli
Ms. Gina Hoagland
Mr. Jim Schiele
Mr. Jim Thompson
Mr. Joseph Rechter Ex-Officio
Mayor Nancy Spewak Ex-Officio

Also present were City Councilman John Fox; Councilman Stacey Kamps; Mr. Sam Zes, Finance Director; and Ms. Laura Rider, City Clerk/Assistant to the Mayor.

The meeting was called to order by Chairman Gazzoli at 8:00 a.m.

Approval of the Agenda:

Ms. Hoagland moved approval and adoption of the agenda; seconded by Mr. Thompson which motion passed unanimously.

Approval of the Minutes:

Ms. Hoagland moved approval of the minutes from the July 12, 2018 meeting, as amended by Mr. Rechter to note that he is an Ex-Officio Member; seconded by Mr. Thompson, which motion passed unanimously.

Public Forum: None

Mr. Zes reviewed the 3rd quarter Financial Reports. Chairman Gazzoli asked the status of the Sprint telephone utility tax receipts. Mr. Zes stated the City Attorney is still investigating this matter.

Mr. Zes presented the 2019 Draft Budget and long-term projections. Mr. Zes is forecasting a significantly reduced deficit for 2018 noting the City is in a better financial position than expected and a \$1.3 million deficit for 2019.

Mr. Zes reviewed major factors affecting the 2018 Budget Forecast and the 2019 Budget. He recommended cancelling the \$1 million transfer from the General Fund to the Capital Fund. Due to increased sales tax revenue, improved investment returns, the new Prop P tax, and reduced future expenditures, the transfer is not needed. The City is also collecting \$309,000 from MSD for easement projects in the City, which was successfully negotiated by Director of Public Works Anne Lamitola. Workers Compensation insurance for 2018 is forecasted \$90,000 less than budget due to reduced rates by switching from Missouri Employers Mutual to Travelers. Salaries should come in under budget by \$165,000 due to vacancies. Salaries in 2019 will increase city wide by 2.87% due to salary increases and positions being filled. Retirement payouts in 2019 are budgeted in the amount of \$69,700; however, these do not occur every year. Mr. Zes stated, based on predictions from the City's insurance broker, the City is expecting up to a 30% increase in medical insurance beginning in July 2019. The City is working with the Insurance Committee and Daniel & Henry on trying to reduce this expense. Mr. Zes informed the committee in 2019, due to state mandate; the Municipal Court will have a separate budget and no longer be included in the Administration budget. Mr. Zes reminded the committee of the budget fluctuations caused by the collection of real estate taxes by St. Louis County.

Mr. Gazzoli asked Mr. Zes if the wide variations in real estate receipts from St. Louis County can be accrued. Mr. Zes stated because of the timing of the audit and the City's fiscal year being on a calendar year basis, they could not. The resolution for this issue is changing to a June 30 fiscal year. Mr. Gazzoli asked Mr. Zes to discuss the feasibility of this potential change with our auditors.

Mr. Zes concluded by stating he and the department heads have reviewed the budget in detail and trimmed costs where possible. He said the Finance Department has spent considerable time on the salary spreadsheet and believes it to be more accurate and efficient. He also stated the City is considering raising the Business License Tax. Earnings on investments are increasing due to additional investing and lowering cash balances across all funds.

Ms. Kamps inquired about legal fees, pre-paid legal expenses and what was included in each. Mr. Zes explained the differences between these and Mayor Spewak added that legal fees are expected to decrease over the next year.

Mr. Gazzoli inquired about the excess funding of the pension plan with the difference in the Annual Recommended Contribution and the 2018 budget amount. Mayor Spewak stated this matter will be on the November City Council agenda for approval. Mr. Schiele asked if the City has a funding goal for the pension plans. Mayor Spewak stated there is no set goal; however the City is comfortable with current funding levels. Mr. Rechter stated that Milliman is recommending the set rate of return on the plans be gradually lowered from the current 7% to 6.5%. Mayor Spewak stated the City should not rely on good market conditions to make up funded levels. Mr. Gazzoli agreed and stated the City should follow Milliman's recommendation. Mr. Rechter stated that lowering the return rate could greatly affect the funded status of both plans. Mr. Schiele requested the City establish guidelines for pension funding status.

Ms. Hoagland moved adjournment; seconded by Mr. Thompson which motion passed unanimously.

The meeting adjourned at 9:10 a.m.

Joseph Gazzoli
Chairman