

**Minutes of Meeting
City of Ladue
Finance, Revenue, and Taxation Committee
May 17th, 2018**

A meeting of the Finance, Revenue, and Taxation Committee for the City of Ladue was held on May 17th, 2018 at 8:00 a.m. in the City Hall Council Chambers. The following members were present:

Chairman Jim Schiele
Mr. Joe Gazzoli
Ms. Stacey Kamps
Mr. Jim Thompson
Ms. Gina Hoagland
Mayor Nancy Spewak Ex-Officio

Also present were City Councilman John Fox; Mr. Sam Zes, Finance Director; Ms. Laura Rider, City Clerk and Assistant to the Mayor and Ms. Michele Graham representing Botz, Deal and Company. P.C. Mr. Joseph Rechter was absent.

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

Approval of the Agenda:

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

Approval of the Minutes:

Mr. Gozzoli moved approval of the minutes, as amended, from the February 13th, 2018 meeting, seconded by Ms. Hoagland, which motion passed unanimously.

Public Forum: Former Mayor Tony Bommarito was present but offered no comment.

Ms. Graham presented the Fiscal Year 2017 audit report beginning with the Management's Discussion and Analysis. She stated the total net position of the City of Ladue increased 3.1% from \$37,984,378 in 2016 to \$39,165,368 in 2017, with \$1,011,545 of the increase being Fixed Assets. The General Fund recorded a surplus of \$220,622 versus an anticipated budget deficit of \$773,795. This \$994,417 favorable variance was led by total expenditures that were below budget by \$669,507 combined with revenues that were over budget by \$324,910. The fund balance for the General Fund grew from \$11,916,814 at the beginning of 2017 to \$12,137,436 at the end of 2017.

The Road and Bridge Fund recorded a surplus of \$52,490 versus an anticipated budget deficit of \$297,067. This \$349,557 favorable variance was led by total expenditures that were below budget by \$388,121 offset by revenues that fell short of budget by \$38,560; which is a result of the timing of Road and Bridge projects. The fund balance (all restricted) of the Road and Bridge Fund grew from \$2,621,510 at the beginning of 2017 to \$2,674,000 at the end of 2017.

The Capital Improvement Fund recorded a deficit of \$2,401.862 versus an anticipated budget deficit of \$3,409,381. This \$1,007,519 variance was led by expenditures that were below budget by \$820,448 and revenues over budget by \$187,071. Capital outlay expenditures of \$3,031,923, including construction of the firehouse, resulted in the fund balance for the Capital Improvements Fund decreasing from \$4,677,388 at the beginning of 2017 to \$2,275,526 at the end of 2017.

The Storm Water Fund recorded a surplus of \$828,443 versus an anticipated budget surplus of \$351,787. This \$476,656 favorable variance was led by total expenditures that were below budget by

\$446,335 and revenues that were over budget by \$30,317; which is a result of the timing of Storm Water projects. The fund balance for the Storm Water Fund grew from \$7,909,708 at the beginning of 2017 to \$8,738,151 at the end of 2017.

Key elements of the City's increase in net position are General revenues in 2017 of \$15,873,127 versus \$16,095,447 in 2016; Total Expenses in 2017 of \$14,686,137 versus \$14,156,037 in 2016; and the Net Position in the beginning of 2017 of \$37,978,378 and \$36,038,968 in the beginning of 2016. Total government-wide expenses increased \$530,100 (3.7%) from \$14,156,037 in 2016 to \$14,686,137 in 2017, primarily reflecting a modest increase in salaries/wages (COLA) and other personnel costs.

The Non-Uniform Retirement Fund completed the year with assets of \$5,041,082. The City contributed \$199,092, which was the ARC (annual required contribution, as set by City actuary Milliman). The fund experienced a net increase in net position of \$563,553 over the year reflecting a new appreciation in fair value of investments in the amount of \$577,731. The net position for the Non-Uniform Retirement Fund increase from \$4,477,529 at the beginning of 2017 to \$5,041,082 at the end of 2017.

The Uniform Retirement Fund completed the year with assets of \$35,240,463. The City contributed \$1,787,046, which was the ARC (annual required contribution, as set by City actuary Milliman) and the Employees contributed \$312,440 (6% of gross salary) to the plan during the year. The fund experienced a net increase in net position of \$4,245,961 over the year reflecting a new appreciation in fair value of investments in the amount of \$4,002,885. The net position for the Uniform Retirement Fund increase from \$30,994,502 at the beginning of 2017 to \$35,240,463 at the end of 2017.

The total Net Pension Liability is \$6,981,064. The Non-Uniform Plan funded percentage is 95.9% as of 12/31/2017, which is an increase over 86.6% at 12/31/2016. The Uniform Plan funded percentage is 83.9% as of 12/31/2017, which is an increase over 75.4% as of 12/31/2016.

Mr. Gazzoli asked how liquid are the assets in the Pension plan's alternative investments and how much is being invested in alternatives. Ms. Graham stated the pension plan's investment policy maintains an appropriate level of liquidity to meet cash flow needs. Mayor Spewak stated the policy was developed by the Pension Board of Trustees with the appropriate guidance from the City's investment manager and she believes is around 7-8% of the portfolio.

Ms. Graham concluded by stating the City of Ladue received a clean opinion on all aspects of the 2017 audit. All financial statements were represented fairly, in all material respects, as well as the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ladue, MO as of 12/31/2017. There were no transactions entered into by the governmental unit during the year which lacked proper authority and all transactions have been recognized in the financial statements in the proper period. It was determined key factors and assumptions used by management to develop estimates were reasonable. No difficulties were encountered in dealing with management in performing and completing the audit. No audit adjustments were made. No disagreements arose with management during the course of the audit. The only audit finding involves the Building Department Reporting. The building department utilizes separate software for issuing permits and collecting the related fees. The software is not integrated with the financial reporting software of the City and cannot produce reports to support the fees collected for the year. Considerable extra effort was needed in order to reconcile this information. It was recommended when upgrading software that consideration should be given to finding a program that will integrate the receipt of fees and issuing of permits within the financial reporting system. Ideally, centralized receipting of funds would be done by the finance department.

Mr. Thompson asked if Ms. Graham had any suggestions on internal controls. Ms. Graham stated they looked at all internal controls and everything except the Building Department issue is in good shape. She stated employees, department heads, and the Mayor are conscientious and everyone is aware of and following segregation of duties. She stated the biggest potential for loss is Cyber related. Mayor Spewak informed the committee the Insurance Committee has recently increase Cyber-crime coverages.

Mr. Zes stated he and the members of the Finance Department are working closely with Anne Lamitola, Director of Public Works and Building Department personnel on possible software enhancements as well as procedures and segregation of duties to address the findings and suggestions from Ms. Graham.

Mayor Spewak stated she would like to credit the City staff and Department heads for the hard work during the year which resulted in the positive audit conclusion.

Mr. Thompson moved to recommend approval and acceptance of the Fiscal Year 2017 Audit as presented by Ms. Graham; seconded by Ms. Hoagland which motion passed unanimously.

Ms. Hoagland moved to adjourn the meeting; seconded by Mr. Gazzoli which motion passed unanimously.

The meeting adjourned at 9:00 a.m.

A handwritten signature in black ink, appearing to read "James E. Schiele". The signature is fluid and cursive, with a large initial "J" and "E".

James E. Schiele
Chairman

