

**Minutes of Meeting
City of Ladue
Finance, Revenue, and Taxation Committee
November 30, 2017**

A meeting of the Finance, Revenue, and Taxation Committee for the City of Ladue was held on November 30, 2017 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	
Mr. Joseph Rechter	Ex-Officio
Mr. Richard Lincoff	Ex-Officio
Mayor Nancy Spewak	Ex-Officio

Also present were City Councilman John Fox; Mr. Sam Zes, Finance Director; and Ms. Anne Lamitola, Director of Public Works.

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

Approval of the Agenda:

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

Approval of the Minutes:

Mr. Gazzoli moved approval of the minutes from the September 12, 2017 meeting, seconded by Ms. Kamps, which motion passed unanimously.

Public Forum: None

Motion to recommend 2017 Budget Amendments to City Council

Mr. Zes explained that budget amendments are needed in the General Fund Administrative Expense account for expenses of \$18,000 related to a compensation study of non-uniform employees \$68,000 for legal retainers, and \$50,000 for professional fees associated with legal costs.

Mr. Gazzoli moved recommending approval of the 2017 Budget Amendments to City Council; seconded by Ms. Hoagland which motion passed unanimously.

Mr. Zes stated that an additional \$658,000 in revenue will be deposited in the General Fund by the end of year from a settlement with MCI. Going forward, MCI will pay an additional \$134,000 annually. A budget amendment is not needed for the MCI revenue.

Councilman Fox provided a summary of the Fire House #1 budget now that the project has been completed. The original budget was \$4,748,000 and final costs totaled \$4,392,000 resulting in a savings of \$355,000. Fire House #1 is 25% larger than Fire House #2, but the costs were contained due to utilizing the same design team and a particular smooth construction phase. With regard to paying off the debt associated with this project, Mr. Zes stated that he is researching potential refinancing options.

Mr. Lincoff asked if the Evergreen Tree Cell Tower at Village Lutheran is a revenue source and

the Mayor responded that it was not possible to place the tower or antennas on the Fire House site.

Review of the 2018 Draft Budget with Council Recommendations Motion to adopt and recommend the 2018 Draft Budget to City Council

Mr. Zes stated that the proposed deficit for 2018 is \$997,533 which is illustrated on page four of the budget document. He provided some highlights regarding the budget including the inclusion of Proposition P funds for public safety, the decrease in healthcare costs, and the impacts of the CBIZ compensation study for non-uniform employees.

Ms. Kamps asked for a brief overview of the CBIZ compensation study. Mr. Zes explained that the study involved evaluating compensation for non-uniform employees and the result was the adoption of new pay ranges and a merit matrix system which were adopted by City Council by resolution.

Chairman Schiele inquired if the City wanted to remain in the top 10% for compensation and the Mayor stated that the study was based on paying employees in the top 25% of comparable salaries. Councilman Fox added that the study involved evaluating the City with key comparable cities. With regard to overall personnel counts, the headcount is 88 and the City will endeavor to remain at that number for the foreseeable future. The headcount of 88 includes three part-time employees.

Mr. Thompson stated that a 2.5% growth projection may be too aggressive based on the fact that e-commerce is increasing and telephone use is decreasing based on technology changes which will impact sales tax and utility taxes. Mr. Thompson and Councilman Fox commented that there are unknown government mandates from the state and federal governments that may not be anticipated. Mr. Zes stated that the 2.5% projected increase is conservative and considers the increased proceeds from the MCI payments and anticipated use taxes.

Ms. Kamps asked about tax contributions from the private clubs in Ladue. Mr. Zes distributed a spreadsheet that illustrates the property taxes that these properties are paying as well as their liquor license fees, and type of license they hold with the City. Sales tax is limited to retail merchandise purchases.

Mr. Lincoff inquired about Building Department permit fees and Mr. Zes stated that although they are hard to predict, are being projected to remain flat for 2018.

Mr. Schiele opened discussion regarding the Road & Bridge Fund and the Storm Water Fund. Mr. Rechter inquired about Federal Funding. Ms. Lamitola stated that the only upcoming federally funded project is the Lay Road improvement project which is scheduled for 2018.

Mr. Schiele returned to discussion on the General Fund and stated that personnel costs comprise 83% of the operating budget. He stated that the projected deficit budget for 2018 must be addressed and projections for future fiscal years show a mounting problem.

Mr. Gazzoli moved approval and recommendation of the 2018 Draft Budget to City Council; seconded by Ms. Hoagland with the following vote:

Chairman Schiele	"aye"
Mr. Joe Gazzoli	"aye"
Ms. Stacey Kamps	"aye"
Mr. Jim Thompson	"nay"
Ms. Gina Hoagland	"aye"

There were four ayes and one nay and therefore the motion passed.

Other Matters Deemed Appropriate

Mr. Lincoff asked how the City of Ladue compares to other cities regarding property tax rates. The Mayor stated that the City of Ladue has a low tax rate compared to other cities.

Mr. Rechter asked is it possible to determine the bond rating for the City of Ladue. Mr. Zes stated that the City would not necessarily rank very high since the City does not follow many of the Government Finance Officers Association (GFOA) recommendations.

A discussion ensued regarding the amount of money that the City should keep in reserves for the General Fund. The minimum recommendation from GFOA is two months of reserves, but the Committee recognized that is just a minimum and would likely feel more comfortable with a longer reserve. Ms. Kamps suggested identifying the bare bones to operate the City if we found ourselves in a grave situation.

The Mayor asked Mr. Zes to identify the minimum financial standards and determine how the City should be operating financially. She added that adopting a use tax and motor vehicle tax are crucial for the City.

A discussion ensued regarding the timing for asking the voters of Ladue for a property tax increase and committee members expressed their view. Mr. Schiele stated that it has taken thirty years to build the surplus that we have and that he strongly recommends preserving it, thus going for a tax increase in the immediate future. It was noted by Ms. Hoagland that it could prove difficult to ask voters in 2018 for a property tax increase after operating with a surplus every year until 2017 in which we are projected to break even. The discussion continued with the consensus being that a tax increase is inevitable within the next few years. They stated that the City and the Finance Committee must first perform their due diligence to identify all possible untapped revenue resources as well as identifying any other cost cutting measures prior to asking the voters for an increase. This will be the focus of the next Finance Committee meeting.

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

The meeting adjourned at 9:20 a.m.

James E. Schiele
Chairman