

**Minutes of Meeting
City of Ladue
Finance, Revenue, and Taxation Committee
Thursday May 28th, 2020 8:00 A.M. (ZOOM)**

A meeting of the Finance, Revenue, and Taxation Committee for the City of Ladue was held on Thursday May 28th at 8:00 a.m. via Zoom. The following members were present:

Chairman Joseph Gazzoli
Mr. David Ryan
Mr. Jim Schiele
Mr. Jim Thompson
Mr. Joseph Rechter Ex-Officio
Mayor Nancy Spewak Ex-Officio

Also present were Council Members John Fox and Stacey Kamps; Mr. Sam Zes, Finance Director; Ms. Laura Rider, City Clerk/Assistant to the Mayor and Ms. Michelle Graham from Botz Deal and Company, P.C. Committee member Maurice Quiroga was absent.

The meeting was called to order by Chairman Gazzoli at 8:08 a.m.

Approval of the Agenda:

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

Approval of the Minutes:

Mr. Ryan moved approval of the minutes from the December 11th, 2019 meeting, seconded by Mr. Gazzoli which motion passed unanimously.

Public Forum: None

Ms. Graham presented the Fiscal Year 2019 audit report beginning with a note concerning the Covid-19 pandemic. She stated the financial impact and duration cannot be reasonably estimated at this time and the stated audit opinion is not modified with respect to this matter. The Management's Discussion and Analysis states the total net position of the City of Ladue decreased 1.3% from \$38.5 million December 31, 2018 to \$38 million December 31, 2019. Net position was comprised of: \$23,360,289 net investment in capital assets, \$13,876,477 restricted for capital improvements, \$395,623 restricted for public safety and \$394,742 unrestricted.

Funding for the City's governmental activities came from direct charges for services of \$1.4 million, capital grants and contributions of \$1.1 million, tax revenues provided \$12.4 million and investment income and other miscellaneous revenues provided approximately \$598,000 additional revenues for a total governmental revenues of \$15.7 million.

The City's government funds reported a combined ending fund balance on December 31, 2019 of \$25,998,331, a decrease of approximately \$461,998.

Overall, the financial results for the General Fund were favorable compared to budget. The General Fund recorded a deficit of \$539,965 versus an anticipated budget deficit of \$1,272,690. This favorable variance was led by total expenditures that were below budget by \$658,308 (4.7%) combined with revenues that were over budget by \$74,419 (.1%). Total transfers were equal to budgeted amounts of \$848,762. The fund balance for the General Fund decreased from \$12,266,196 at January 1, 2019 to \$11,726,231 at December 31, 2019.

The Road and Bridge Fund recorded a deficit of \$283,498 versus an anticipated budget deficit of \$737,061. This \$453,563 favorable variance was led by total expenditures that were below budget by \$376,530 and offset by revenues that exceeded the budget by \$83,142. These variances are the result of the timing of Road and Bridge project expenditures and the corresponding reimbursement grants. The fund balance (all restricted) of the Road and Bridge Fund decreased from \$2,737,087 at the beginning of 2019 to \$2,453,589 at the end of 2019.

The Capital Improvement Fund recorded a deficit of \$619,885 versus an anticipated budget deficit of \$1,147,558. This \$527,673 variance was led by expenditures that were below budget by \$467,220 and revenues over budget by \$60,453. Total transfers were equal to budgeted amounts of \$175,000. The fund balance for the Capital Improvements Fund decreased from \$1,992,181 at beginning of 2019 to \$1,372,296 at the end of 2019.

The Storm Water Fund recorded a surplus of \$880,174 versus an anticipated budget deficit of \$457,752. This \$1,337,926 favorable variance was led by total expenditures that were below budget by \$1,249,528 and revenues that were over budget by \$88,398. The fund balance for the Storm Water Fund grew from \$9,170,418 at the beginning of 2019 to \$10,050,592 at the end of 2019.

The Public Safety Fund recorded a surplus of \$101,176 versus an anticipated budget surplus of \$63,000. This variance was the result of greater than anticipated tax collections. The fund balance grew from \$294,447 at the beginning of the year to \$395,623 at the end of the year.

The Non-Uniform Retirement Fund completed the year with assets of \$5,376,572. The City contributed \$218,921, which was the ARC (annual required contribution, as set by City actuary Milliman) plus the balance of the 2019 budgeted amount as approved by the City Council. The fund experienced an increase in net position of \$757,878 due to positive net investment returns of \$889,330. The net position for the Non-Uniform Retirement Fund increased from \$4,618,695 at the beginning of 2019 to \$5,376,572 at the end of 2019.

The Uniform Retirement Fund completed the year with assets of \$38,451,363. The City contributed \$1,834,700, which was the ARC (annual required contribution, as set by City actuary Milliman), plus the balance of the 2019 budgeted amount as approved by the City Council and the Employees contributed \$324,694 (6% of gross salary) to the plan during the year. The fund experienced an increase in net position of \$5,851,814 over the year reflecting a positive net investment return of \$6,350,159. The net position for the Uniform Retirement Fund increased from \$32,599,549 at the beginning of 2019 to \$38,451,363 at the end of 2019.

The Non-Uniform Plan funded percentage is 83.2% as of 12/31/2019 and the Uniform Plan funded percentage is 89.4% as of 12/31/2019. The total net pension liability is \$1,089,170.

Ms. Graham concluded by stating the City of Ladue received a clean opinion on all aspects of the 2019 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 12/31/2019. 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.

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 inquired about internal controls and if there were any issues Ms. Graham noted during the audit, especially concerning the new financial software. She responded that City staff were maintaining all recommended controls and authorizations. Mr. Zes stated the new software added additional controls and reporting functions.

Mr. Schiele moved to recommend approval and acceptance of the Fiscal Year 2019 Audit as presented by Ms. Graham, with noted grammar correction; seconded by Mr. Ryan which motion passed unanimously.

Chairman Gazzoli advised there were items for discussion in executive session; as provided under RSMo. 610.021 (17). Mr. Schiele moved to go into closed session with Ms. Graham, seconded by Mr. Ryan; and the vote thereupon was as follows:

Chairman Joe Gazzoli	“Aye”
Mr. David Ryan	“Aye”
Mr. Jim Schiele	“Aye”
Mr. Jim Thompson	“Aye”

The motion was passed unanimously. The meeting went into closed session at 8:57 a.m.

The meeting returned to open session at 9:00 am.

Mr. Zes discussed the 2020 First Quarter Financial report for the City. He explained that this information supplements the regular quarter ending financial statements provided for the period ending March 31, 2020. However, due to the lag in sales tax reporting he advised the committee the City will probably not see a significant decrease in revenue until May or June and the 2nd quarter financial reports will give a much clearer picture on how the pandemic will affect the City’s revenues. Due to this factor, Mayor Spewak has instructed department heads to delay or eliminate all non-essential purchases until further notice.

Mr. Thompson moved adjournment; seconded by Mr. Schiele, which motion passed unanimously. The meeting adjourned at 9:15 a.m.

Joseph Gazzoli
Chairman