

**CITY OF CLAYTON
FY18 Budget Questions Response #1**

General Financial

1) Should we be focusing on the general fund or “all funds”?

This is an age old question. Both are important. For the outlook of the whole organization, the all funds information is the best measure, although the all funds data can significantly fluctuate from year to year based on capital spending. We tend to focus on the General Fund because that is where our employees and other service costs are funded.

2) We are showing a small budget surplus in our general fund for the coming year, but excluding transfers in and out, we would show a general fund budget deficit of \$1.3 million. Have we relied on transfers in and out to achieve a “balanced” general fund budget in past few years? Does evaluating the general fund without regard to transfers in and out tell a meaningful story or point to any important trends? In particular, general fund revenues are budgeted to increase by \$1.4 million while general fund expenditures are budgeted to increase by \$2.1 million – a gap which is essentially bridged by interfund transfers. Is this consistent with years past?

Yes, it is consistent with recent years and it is an important part of our financial story. Our equipment replacement annual contribution costs are budgeted in the General Fund, but the ultimate financial support is the responsibility of both the General Fund and the Capital Improvements Fund, depending on the value of the item. Page 11 of the budget document shows \$1.4 coming from the Capital Improvement Fund into the General Fund for equipment replacement, and then \$1.8, the total contribution cost, going out of the General Fund into the Equipment Replacement Fund. Only that difference, or \$400,000 is truly being funded by the General Fund for the lower valued items.

3) Page i shows a General Fund surplus of \$5,326. We discussed the possibility of any budget surplus going directly to the CIP, but is that occurring? Why does page 5 show a different amount of General Fund revenue and expenditures? Then on page 8, there is a different amount for expenditures. Why are these differing amounts shown?

The idea of sweeping all general fund surplus into the CIP has been discussed. There are advantages and disadvantages to this policy which should be discussed before implementation. In general we have supported the advantage of all fund balance being kept in one place and because most of the activity is in the General Fund. Page i revenue and expenditures amounts include transfers, and on page 5 the revenue and expenditure amounts do not include transfers (the transfers are listed separately on this schedule between funds). On the amounts discussed on page 8, the revenue does not include transfers, but transfers are included on the expenditure schedule which is noted beneath the schedule. On schedules showing the expenditures by department, we include the related transfers in each department to reflect a true departmental cost, including the cost to fund capital replacements.

| | |
|------------------------------------|---------------------|
| <u>FY 2018 General Fund</u> | |
| Revenue | \$26,640,334 |
| Transfers-in | <u>\$1,973,502</u> |
| Total revenue & transfers-in | \$28,613,836 |
| Expenditures | \$26,743,947 |
| Transfers-out | <u>\$1,864,563</u> |
| Total expenditures & transfers-out | <u>\$28,608,510</u> |
| Surplus | \$5,326 |

- 4) **Page 10 shows General Fund Revenue “transfers- in” of \$1,973,502 which does not coincide with the explanation of budget transfers of \$2,134,463 on page 11.**

The \$1,973,504 is a transfer-in from two funds which are shown on page 11 which are:

| | |
|---|--------------------|
| Special Business District to General Fund | \$564,504 |
| Capital Improvement fund to General Fund | <u>\$1,408,998</u> |
| Total Transfer-in | \$1,973,502 |

Revenue

- 5) **What factors were identified to support a 20% increase in sales tax in 2018? Are there programs or initiatives funded by the city to drive this level of change?**

Beginning October 1, the City has a new one-half cent sales tax for public safety which was passed by St. Louis County voters. General fund sales tax, including this new tax, is projected to increase by nearly 21%, or by 1.3% when excluding the new tax. See page ii of the budget document.

- 6) **In FY20, we are budgeting property tax of \$6.7 million, which is about \$400,000 more than FY18. Does the FY20 figure assume all of the development projects in the pipeline have been completed? I thought we would see a bigger increase.**

See next question.

- 7) **Do you have estimates of the City's share of property tax revenue resulting from the completion of the three new residential apartment buildings? When would that revenue stream begin? If the first phase of the Centene project is completed within two years, 2019, when would that property tax be added to the city's total? What is the estimate of the annual property tax revenue from this commercial building?**

Below are the estimated additions to property tax from development. The additions in the years included in the budget (FY18 – FY20) are for the three residential projects. Also included are budget years FY21 – FY22 which do include Centene property tax revenue, assuming the completion schedule remains as is. We also included amounts in the out years for projects currently under discussion. The full impact line in the schedule below includes the full property tax impact of all projects, and the amount budgeted shows only a partial impact on the projects still in process.

| Estimated Property Tax from Development | | | | | | | |
|--|---------------------------|---|------|----------|-----------|-----------|-----------|
| | Estimated Completion Date | Estimated Annual Property Tax upon Completion & Occupancy | FY18 | FY19 | FY20 | FY21 | FY22 |
| Centene 1 & 2A | 4/1/19 | \$186,486 | | | | \$130,540 | \$186,486 |
| Opus | 8/1/17 | \$30,970 | | \$30,970 | \$31,589 | \$31,905 | \$32,224 |
| Vanguard | 11/1/17 | \$39,406 | | \$19,703 | \$39,406 | \$39,800 | \$40,198 |
| 212 S. Meramec | 9/1/17 | \$41,578 | | \$41,578 | \$41,993 | \$42,413 | \$42,837 |
| Proposed Projects | | | | | | \$146,136 | \$191,215 |
| Full Impact | | | \$0 | \$92,250 | \$112,988 | \$390,795 | \$492,960 |
| Budget | | | \$0 | \$92,250 | \$112,988 | \$307,087 | \$364,798 |
| *FY21 & FY22 are not included in the budget document | | | | | | | |

- 8) **From staff's research what is the conclusion to explain a decline in real & personal property tax revenue from the FY17 estimate to the FY18 proposed amounts.**

For the FY17 property tax rates, the City recouped about \$350,000 in the General Fund for successful tax protests, above the normal tax rate calculation. While we will receive a 2.1% CPI increase in revenue, we may receive less in the recoupment process than last year. We will know the new calculation in a few weeks.

- 9) **Is the 5% increase in utility tax revenue being driven by rate increases or new development?**

Electric rates increased by 4% during FY17 with the full impact shown in FY18. Telephone gross receipts have continued to trend slightly upward. There is a small budget impact from development projects in FY18, but it picks up more in FY19 and even larger for FY20.

- 10) **Did we look into increasing our planning department fees? I remember discussing this a couple of years ago but I don't remember if we eventually studied it and decided not to make a change.**

Yes, the Board approved these fees and they went into effect on March 1, 2016.

- 11) **We spend a lot of time talking about "vibrancy" and I have always thought it would really be helpful to have a metric for that to periodically review and compare across quarters. One possibility would be something based on sales tax, but it seems like this has been elusive because of the delay in collection and reporting, and the difficulty in comparing apples to apples given the occasional changes in the sales tax rate. Is there a way to boil economic activity down to a single sales tax figure every quarter that we could use to see trends? We get the sales tax figures with each quarterly report, but it seems like there is always some "footnote" about why it is hard to draw any meaningful conclusions from it.**

Vibrancy can be measured a number of different ways. Several years ago when this was a term added during the strategic planning process we discussed sales tax per square foot as one measure, but it soon became apparent that the activities that would increase sales tax

would not always increase the kind of vibrancy we describe in text in the Downtown Master Plan. We realized that some aspects of vibrancy did not translate into sales or significant sales. We have also added number of events and attendance at events as additional measures and have pursued activities that specifically target those goals. Sales tax reports will continue to have some challenges in delayed reporting and impact on unseen factors such as on-line and car sales.

Expenditures

12) Is there more detail about the energy improvements such as like how are the savings identified and is it broken out somewhere? Why did we choose to internally fund these when there are bonds available for these type of programs.

The costs are not broken out in the budget. The Bonhomme garage energy enhancements has actually out-performed the estimates by ~\$10,000 annually. The energy enhancements to the municipal garage staff facility has underperformed by ~\$3,650 annually, perhaps due in part to the replacement of some previous burned out/nonfunctioning lights. The net effect of the project savings has out-performed the estimate by ~\$6,350 annually. The original return on investment (ROI) for the project was estimated to be 6 years. The Board agreed to internally fund these improvements rather than use bonds as the debt service costs were lower to internally fund due to the low investment rate environment.

13) What line item accounts are driving the increased expenditures?

Below are some of the account areas which have the largest dollar amount increases.

| Account | FY18 Increase from FY17 Budget | FY18 Increase from FY17 Estimate | Explanation |
|----------------------------|--------------------------------|----------------------------------|---|
| Full-time salaries | 9% | 7% | This increase is partially related to changes in positions during FY17 including the addition of the fire training officer, 2 new IT employees supporting the Brentwood technology services contract both of which have related revenue, and moving 2 part-time administrative support positions to full-time. In FY18 we are adding 2 new positions, one of which is partially offset by a donation, and the other is fully offset by a reduction in reliance on contractual services. Other small reclassifications of positions also occurred. |
| Pension | 4% | 7% | Due to decreased investment income in the last couple of years, the pension contributions have had small increases. |
| Medical | 5% | 8% | The City received a 2% premium rate increase. The higher amounts shown in this schedule are due to added positions and individual employee changes in coverage. |
| Workers Compensation | 23% | 13% | Workers compensation costs increased due to claims experience, a significant rate increase and new positions. |
| Utilities | 11% | 9% | Rates, new projects, and budgeting for average weather conditions cause this increase. |
| Trash & Recycling | 5% | 5% | The City has a current contract in place with set increases for these services. |
| Transfer to Equipment Fund | 35% | 35% | Items were added to the equipment replacement schedules this year such as traffic signals, park assets and facilities. |

14) There is an increase in administrative services as a department of about \$1 million from 2017 to 2018. What is driving this?

The \$1 million is on page 8 which is all funds and includes technology projects in all departments and all funds. The actual General Fund Administrative Services Department's budget can be seen on page 54 and shows an increase from last year's budget of approximately \$350,000. This increase includes increasing a court employee from part-time to full-time, a full year of the new parking system fees, a consultant to assist in updating the City's employee performance evaluation process, the addition of two employees in the Information Technology work group related to the Brentwood contract, and the purchase and support of police body cameras.

15) In Park Operations (p 101) there are increases in nearly every line item with a total increase of 28%. What is driving this increase?

There are a combination of factors that are driving the increases seen in Park Operations which include the following:

- Expenses for Chapman Plaza have been included in many of the line items (utilities, contractual services and supplies as well as the ERF transfer), the total for this is \$125,000 (this cost will be offset by a contribution from CCF to cover these expenses);
- A new position, Maintenance Service Worker II, has been included in the proposed budget, the cost of which will be borne in all of the personal services lines; and,
- A significant increase in the transfer-out for equipment replacement to offset future expenditures at park facilities. The types of items that were added for replacement were roofs at shelters, fences at parks, signage, furnaces, etc.

Equipment Replacement

16) Why the 40% increase in street lighting costs? Does that represent an increase in the ongoing operating costs, on top of the potential capital expenditures relating to enhancement?

This reflects an increase of \$6,000 for signal detection puck replacements, previously under warranty, and an increased contribution to the Equipment Replacement Fund for Traffic Signals of approximately \$129,000. These are maintenance and equipment replacement costs, not new capital investment.

Capital Improvements

17) Has Opus committed to the sale of the N. Central parking lot?

We are already contracted to purchase the N. Central parking lot after October 1 for \$900,000.

Staffing & Compensation

- 18) What is the FY2018 average percentage increase for merit pay and the step plan? There is a policy of pay acceleration for employees below midpoint in the open pay structure which adds an additional percent to an eligible employee’s normal increase. How many employees are eligible for FY2018 and what is the average added percent increase?**

The open structure employees are proposed for an average 3% merit increase, based on performance. In addition, any employees below midpoint would be eligible for an additional 2.5% increase and there are 47 employees eligible this year. The average step employee increase is 4.6%. Please see pages 184-185 in the budget document for further information.

- 19) On p. 186, there is discussion of a Plans Examiner position being added. At what point in the year was this done? Was this in response to volume, and slower than desired turnaround times? Have turnaround times decreased and has the backlog been reduced?**

This position is proposed for FY 2018. This year we have been paying an outside firm to review plans. This position would actually cost less than we have paid to the outside firm this year and we believe this position will address the volume issue and improve turnaround times.

- 20) We are budgeting for an increase of one position in police and one position in fire. Are we comfortable that those staffing levels will be sufficient, especially given the new buildings which will be opening and the related increase in population? How so?**

The budget document does not include any increases in police and fire staffing other than one reclassification in each department, and in the police department we converted a part-time administrative support position into a full-time position. The police department will be performing a staffing study, and the fire department staffing is discussed elsewhere in these responses.

- 21) What is our ratio of residents/police and residents/firemen? How do these ratios compare with other cities in the region, and benchmark cities nationally?**

| | Fire (Sworn staffing ratio / 1,000 in population) | Police (Sworn staffing ratio / 1,000 in population) |
|--------------------------------|--|--|
| Clayton Residential Population | 2.60 | 3.08 |
| Clayton Daytime Population | 0.76 | 1.06 |
| Brentwood | 2.88 | 3.38 |
| Creve Coeur | N/A | 2.68 |
| Maplewood | 2.50 | 3.87 |
| Olivette | 3.11 | 3.11 |
| Richmond Heights | 2.82 | 4.55 |
| Town & Country | N/A | 2.75 |
| University City | 0.91 | 2.26 |
| Webster Groves | 1.65 | 1.40 |
| National Standard | 1.00 | N/A |
| Midwest Average | 1.04 | 2.00 |

22) Page 31. Firefighter/Paramedic” reduced from 21 to 20. We man 3 per truck. How do you do that with 20?

We are reclassifying one paramedic to a Lieutenant, who serves as the medical officer on the crew, so there was no change in crew head count. The training officer is shared and is the only net new position. The Captains are counted on the crews that make up the crew staffing numbers. Our policy is to staff a three-crew minimum on the ladder truck and pumper. Our normal staffing is 4, but falls below that more than not due to vacations, etc. We only call in staff for overtime if we fall below 3.

23) Page 49 Mayor & BOA. \$10,000 jump (32%) in account #101?

We budget for more attendance at meetings for the BOA than have been attended.

24) The Special Business District Fund (p 112) shows total revenue of \$564,500. Expenses on page 57 Economic Dev \$255k and Page 58 events \$341k add up to \$596,500, a difference of (\$32k). What is the net of our revenue & expenses in those 2 departments?

The only revenue related to Economic Development and Events are:

| | |
|---------------------------|------------------|
| Special Business District | \$564,504 |
| Event Sponsorships | \$10,500 |
| Event Ticket Sales | <u>\$22,300</u> |
| Total Revenue & Transfers | \$597,304 |
| Expenditures | <u>\$596,620</u> |
| Surplus | \$684 |

25) Employee healthcare costs (acct #120) have increased at vastly different % amounts from department to department without changes in the number of personnel. One department actually has a 10% lower cost. Please explain.

Health insurance premiums only increased 2%. Large fluctuation in individual department premiums are related to new positions, vacant positions which are budgeted at the family coverage level, or current employees changing their coverage choices at open enrollment or at the time of a qualifying event.

26) I was surprised by a reduction of the senior accountant position in Finance. Is that a permanent reduction in headcount for that department?

Yes, the additional position was just a temporary increase to help us transition during retirements of two long-term employees.

27) Police Specialty Pay - Page 185. 1st box. Do the amounts in the middle box represent the 25% adjustment or do the numbers reflect the total \$ to be earned?

The amount reflects the 25% adjustment. This is the total budget impact of the change for all of the employees who receive these specialty pays.

- 28) Page 185. Last box on the bottom – Fire. I (and I think others on the board) were under the impression that the trainer position was intended to be part of the fire command consolidation. I did not realize it is for just us and 2 other cities. What is the impact if the command consolidation goes through?**

The current trainer is shared with three cities. If the shared command moves forward, the cost would eventually be shared by five departments, but the short term (1-2 year) transition is not yet resolved. The trainer will be part of the joint command.

Miscellaneous

- 29) What is the status of the City Hall relocation project and the budget impact in FY18 and beyond.**

10 S. Brentwood Build Out Schedule:

| | |
|--------------|---|
| Aug 11, 2017 | Complete Schematic Design |
| Aug 22, 2017 | Present to Board of Aldermen for authority to complete Design |
| Dec 29, 2017 | Complete Bid Documents |
| Jan 2018 | Advertise RFP for Construction |
| Feb 27, 2018 | Submit Construction Contract for Board of Aldermen approval |
| Mar 2018 | Start Construction |
| Mar 2019 | Complete Construction |

In the proposed CIP Plan, there is \$390,000 in FY 2017 and \$2.8M in FY 2018 for this project. Assuming the Board of Aldermen authorizes continuation of design and construction, we predict the following expenditures:

| | |
|-------|---|
| FY 17 | \$80,000 (Schematic Design) |
| FY 18 | \$2,110,000 (Construction Documents \$310k and 2/3 Construction \$1.8M) |
| FY 19 | \$1,000,000 (1/3 Construction \$1M) |