

April 11, 2016

Mayor Glantz and Members of the City Council:

I am pleased to present the Fiscal Year 2017 (FY17) budget for your consideration. The proposed budget provides the resources necessary to continue to meet the high expectations of our community over the next year.

State and local governments everywhere continue to face similar long-term challenges of stagnant revenues and rising costs. Creve Coeur has not been immune to these trends, but with actions taken by the city in controlling and monitoring expenditures, and identifying alternative means of delivery services, the city's overall financial outlook continues to remain solid.

Long Range Planning

In developing the annual budget, the city staff relies upon a variety of planning documents, including the city's Strategic Plan, Comprehensive Plan, and the five-year Capital Improvement Plan. The annual budget provides the resources necessary for implementing the long-range objectives as identified in city's planning documents. The city anticipates developing a new Strategic Plan in 2016.

The city's existing Strategic Plan includes the following goals:

Strategic Goal 1: The city will offer a superior mix of municipal services to provide safety and high quality of community life.

One of our primary long-term goals is to maintain a safe community. The Police Department was successfully reaccredited through the Commission on Accreditation of Law Enforcement Agencies (CALEA) in FY15. During the three-year accreditation award cycle, the Police Department must maintain compliance with applicable standards, keep its proofs of compliance up-to-date, and live by the letter and spirit of those standards. To retain its accredited status, the Police Department is required to submit to CALEA the appropriate accreditation continuation fees, as well as an annual report.

An important component to providing effective services is maintaining the city's physical assets including the Government Center. The building, which was converted from an elementary school in 1989, has seen no substantial renovation since that time. A space needs analysis and preliminary design was completed in FY15. The Government Center Needs Assessment Task Force and the City Council were actively engaged in reviewing various options in FY15 and FY16. This review process is ongoing, with involvement of the city's Planning and Zoning Commission and Finance Committee. The City Council is considering seeking voter approval for a bond issue in FY17 to fund a new police station on the property north of the Government Center. If the bond measure is successful, design and engineering for the new police facility will occur in FY17. If the bond measure is unsuccessful, the city will begin making necessary security improvements and renovations to the existing Government Center.

In order to provide high quality services, we must offer a high level of convenience to our citizens through new technology. The city anticipates installation to be completed by late FY16 for on-line and/or in-person credit card

payment of fees for certain services such as recreational programming, facility rental, business license renewals, and building inspections.

The City is currently in the process of making improvements to the city's web site, with a goal of improving navigation and ease of use and anticipates the new website will go live in early FY17.

Providing excellent customer service to citizens is the keystone of public service. This year, performance expectations specific to customer service were incorporated into all merit-based pay job performance evaluations. Additionally, FY17 includes on-going customer service training for city staff to provide efficient and friendly service to all customers, both internal and external.

Strategic Goal 2: The city will encourage a strong, diversified economic base that enriches quality of life in the city, preserves the integrity of residential neighborhoods and is consistent with the Comprehensive Plan.

City staff worked with the Planning & Zoning Commission and a planning consultant in FY16 to update the Comprehensive Plan, which provides a vision for the physical elements of the city and the framework for land use decisions. This update process has included more than a dozen workshops and focus groups to gain citizen input with more planned. The Planning & Zoning Commission anticipates completing this update by summer 2016. Following the adoption of the updated Comprehensive Plan, revisions to the zoning code per the updated plan will be forthcoming in FY17.

The plant and life science sector represents a major opportunity for regional economic growth. Planning is underway to create a 575-acre innovation district in the northeastern corner of Creve Coeur. The city is partnering with St. Louis Economic Partnership, the Donald Danforth Plant Science Center, Bio-Research and Development Growth Park and Helix Center Biotech Incubator to develop a master plan for the new district. The plan will be paid for through a \$500,000 grant from the U.S. Department of Commerce and will address ways to connect the various life and plant science organization in the area, create a more walkable and bike-friendly environment and improve public transportation for the Light Industrial District and adjacent Old Olive corridor. The plan is expected to be completed in early FY17.

In FY16, the Economic Development Committee (EDC) created a new business recognition program including awards such as Favorite Restaurant, Heart of the Community and Most Innovative Business. In FY17, the EDC will continue to further collaborate with key business sectors and explore strategies to attract and retain business to the city.

Strategic Goal 3: The city will be a responsible steward of taxpayer dollars while providing services desired by the community.

Each year, city staff updates our long-range financial projections. As the city's general fund balance increased over the last few years, we are able to dedicate a portion of the surplus in a manner to further solidify the city's fiscal stability and preserve the city's infrastructure:

- In FY14, the city paid off the remaining debt on Millennium Park, totaling \$3.4 million, or six years prior to its scheduled retirement. Funds for street/resurfacing/reconstruction increased by \$300,000 annually over the next 5 years per the approved FY17-21 Capital Improvement Plan.
- Upon recommendation of the City's Pension Board, the City Council adopted more conservative pension plan assumptions of 7% projected interest earnings and retirement of unfunded liability in 10 years. These changes have increased the City's annual pension costs by approximately \$280,000 per year.

After careful consideration, the City Council opted to transition to curbside trash collection as the base service beginning July 1, 2015 (FY16), while retaining the option of valet (rear yard) trash service for those who want or need it. In FY16, the cost of residents selecting valet trash service was paid entirely by the city. The city projects a cost reduction in FY16 of \$477,000 from FY15. In FY17, the city will pay 50%, or \$7.50 per household, for valet

service, and in FY18 and subsequent future years valet service will be paid for entirely by the residents. Approximately 17% of the residents are currently subscribing to valet (rear yard) trash service.

The city has maintained its membership with the West Central Dispatch Center (WCDC), saving over \$100,000 annually while improving service levels by combining its police dispatching operations with Town & Country and Frontenac. The WCDC will be looking for opportunities for additional partners over the next year.

Strategic Goal 4: The city will identify and pursue opportunities that bring citizens together and foster a sense of community.

Public art is an effective tool in fostering a sense of community. In FY17, the city's Art Committee is anticipated to have completed the city's second artistic bus shelter on Olive Boulevard by the Danforth Plant Science Center, with the first bus shelter in front of the CVS on Olive Boulevard completed in FY16. In addition, the Arts Committee is currently working with local artists to design seasonal street banners and display art on public land within the city limits and will continue to do so in FY17.

The city-managed Creve Coeur Farmer's Market continues to gain in popularity and provides residents the opportunity to purchase locally-produced fruits, vegetables, eggs, meat and more. The market takes place on Saturdays, May through October at Westgate Plaza, and monthly during the winter months from November through April at the Dielmann Recreation Complex. In FY17, the Market Manager will continue to seek creative activities to attract new customers during the summer months, with a long-term goal of becoming financially self-sustainable.

In FY17, the city is contracting with Walters Golf for consulting to assist with attracting new customers to the Creve Coeur Golf Course using a new dynamic pricing model and developing new and creative programs for the 55-acre, 9-hole course. Also, the City Council created a Golf Task Force to assist the City in better marketing the course.

Additionally, staff is pursuing a grant in FY17 to replace the deteriorating asphalt cart paths to provide a more enjoyable experience for patrons. FY17 includes programming activities offered through the Recreation Department including the Concert in the Park Series, which continues to gain in popularity, a Vintage Baseball Game and other recreational programs for citizens of all ages and abilities.

Strategic Goal 5: The city will mobilize the knowledge and skills of residents and other community stakeholders to contribute to decisions that guide the city's future, thereby building civic leadership and engagement.

In FY17, we will continue to work to better engage our new residents with timely information on city services and seek to increase involvement on the city's boards and committees. Citizens play a critical role in the city's decision making process, from planning and zoning, to city facilities planning to finance, public safety and public art.

GENERAL FUND

Long-range revenue and expenditure projections for the General Fund are included in Section 2 of the proposed budget. In FY17, operating revenues are projected to outpace operating expenditures by \$211,290.

Long-Range Outlook

Like other local governments, Creve Coeur is facing the prospect of tepid revenue growth, with the cost of maintaining services rising faster than revenues over the next few years. As a result, operating surpluses in the General Fund are projected to diminish by FY20, at which time the City may need to consider additional revenue sources or review reductions.

General Fund Reserves

By FY21, the city's General Fund reserves are projected to be reduced to \$8.3 million, or 48% of annual operating expenditures, still above the city's reserve policy of maintaining at least four months of the previous two years average expenditures. The projected reduction in fund reserves is due in part to annual transfers for ongoing capital projects and the city's goal of eliminating the unfunded pension liability over 10 years.

In FY16, a dedication of \$2 million in General Fund reserve was established for future facility needs. These funds could be used to partially pay for future renovations to the Government Center.

It is also recommended that a dedication of \$1 million in General Fund reserves is established for future street improvements. These funds can be used for various reconstruction projects in the city that have been identified through our annual street program, to allow for the acceleration of the long-term street improvement program. We would not recommend any use of these funds until a review of our pavement management program is completed in late FY16.

Even with these recommended General Fund reserve dedications, the city will continue to exceed its reserve policy and maintain its solid financial footing.

Revenues

The city's revenue stream continues to rely heavily on sales tax (32.1% of General Fund revenues) and utility licenses (38.6% of General Fund revenues). For FY17, operating revenues for the General Fund are projected to increase 1% from projected FY16 revenues, attributable to Sales Tax & Electric gross receipts offset by decreases in Court, Building Permit and Occupancy revenues.

A brief explanation of revenue projections for FY17 is provided below:

Intergovernmental Revenues, which include sales tax, gas tax, and county road and bridge tax, comprise 42.3% of operating revenue, are projected to increase by 1.5%. The city sales tax portion of Intergovernmental Revenues is projected to increase 2% next year to \$5,177,000.

Public Utility Licenses, which comprise 38.6% of the city's operating revenue, is expected to increase 1.1% in FY17 to \$6,238,000.

The city's **Real Estate Tax** rate per \$100 of assessed value is projected to be \$.069 for residential and \$.074 for commercial property for FY17, consistent with current rates. An amount of \$563,000 in real estate tax revenues are projected for FY17. In recent years, the city has held real estate tax rates below the currently estimated authorized limit of \$.091 for residential and \$.092 for commercial.

The City of Creve Coeur, unlike all other taxing jurisdictions servicing our residents, does not levy a tax on personal property.

Licenses and Permits are projected to decrease by 3.68% to \$906,450 for FY17. Building permit revenues are projected to decrease by 5% to \$475,000. FY17 building permit revenues are projected based on average revenues from the past five fiscal years. Occupancy permit revenues are projected to be \$75,000 in FY17.

Municipal Court revenues are projected to decrease by 2.2% in FY17 to \$1,000,000.

Interest on Investments is expected to increase slightly in FY17 by 3% to \$175,000.

Charges for Municipal Facilities are projected to remain approximately the same at \$117,500.

Expenditures

Operating expenditures for the General Fund in FY17 are projected to increase 6.6% over projected expenditures for FY16.

Major Expenditure Category	FY16 Projected	FY17 Budget	Percentage Change
Personnel Services	\$10,394,817	\$11,178,331	7.5%
Operating Expenses	4,157,098	4,352,747	4.7%
Capital Outlay	393,983	402,160	2.1%
TOTAL	\$14,945,898	\$15,933,238	6.6%

Personnel Services

Personnel Services, including all wages, benefits, and pension costs, are projected to compose 70.2% of the city's General Fund Budget in FY17. The Police Department composes the majority (55.2%) of the General Fund personnel expenditures. The Public Works Department makes up the next largest portion of the city's personnel costs (14.9%).

Major factors affecting personnel expenditures in FY17 are outlined below.

- A long-standing strategic goal of the city is to maintain a competitive pay and benefit package to attract and retain the best talent. In FY17, staff is proposing salary adjustments totaling approximately \$23,570* to several positions, and a 3% increase to the minimum and maximum of each grade salary range in order to maintain market competitiveness. Additionally, staff is proposing an overall 3% merit adjustment totaling approximately \$202,799* to salaries based on performance.
- Staffing Levels are proposed to remain the same with 109 full-time employees, 11 fewer full-time employees than FY08.
- Longevity pay was frozen in FY11 and will continue to be so indefinitely. Employees currently receiving longevity pay will continue to receive the same amount of pay but will not accumulate additional longevity pay with additional years of service beyond July 1, 2010. Longevity pay will decline rapidly as long-term employees retire from the city. Only employees hired before August 1, 2004 are eligible for longevity pay and receive \$8 pay per month, for each year of service to the city (a 10-year employee receives \$80 per month, or \$960 per year in longevity pay). For FY17, longevity pay will total \$62,208, down from \$125,542 in FY10.
- Effective July 1, 2009, the city elected to pool its health insurance with other municipalities in the St. Louis Area Insurance Trust (SLAIT) in an effort to reduce rate volatility and gain more control of the plan from year to year. In FY16, rates reflected a 0% increase. An amount of \$1,323,428* has been budgeted for employee health insurance in FY17, which reflects a rate increase of 5%. The City's long-term experience with the SLAIT health pool has been encouraging, and future rate volatility should be further mitigated as SLAIT has been able to increase its reserve fund over the years. In addition, SLAIT and the City of Creve Coeur have implemented an aggressive wellness program to encourage healthy life-styles among our workforce.
- An employee contribution to the city's defined benefit pension fund was gradually implemented over five years to its current level of 3% of base salary. The 3% contribution is projected to generate \$106,000 to offset a portion of the city's total contribution to the pension fund, budgeted at \$1,275,000*. This amount

is approximately \$280,000 more than the city contribution for FY16. This increase is due to change in actuarial assumptions in FY16. No additional transfer will be made this year.

- The city contributes 8% toward a defined contribution plan for employees hired after June 1, 2006. Employees are also eligible for an additional 1% contribution after six years with the city, predicated on an employee contribution of 2% of salary. Additionally, the city provides a 3% contribution to a 401a plan for those employees who selected this option as part of a pension plan amendment in 2001. The total defined contribution amount for all plans in FY17 is projected to be \$333,288.

**Combined General Fund and Enterprise Fund.*

Operating Expenses are projected to increase by 4.7% to \$4,352,747 in FY17. This is primarily due to a one-time expense of \$375,000 for computer software. This increase will be offset by a reduction in trash costs due to aforementioned program changes.

Capital Outlay Expenses in the General Fund budget are projected to be \$402,160 for FY17. This amount represents a 2.1% or \$8,177 increase over the estimated FY16 expenditures.

A listing of capital outlay expenditures may be found in the department budget in accounts 9501 through 9505. Capital outlays are generally one-time expenditures or expenditures for items which have a useful life of longer than one year such as building improvements, vehicles, equipment, office machines and furniture and fixtures.

Significant capital outlay expenditures are identified in each of the Departmental budgets.

Budget Highlights

Within each departmental budget you will find a section titled “Budget Highlights,” describing new or expanded programs, purchases or trends of note.

CAPITAL IMPROVEMENT FUND

The city’s capital program reflects an emphasis on preservation of existing infrastructure, and aggressively pursuing outside funding to offset the city’s cost where possible.

The five-year plan (FY17–FY21) includes approximately \$15.37 million in total capital outlay with the major emphasis on street reconstruction and resurfacing. Staff evaluates and prioritizes specific streets and types of treatment based on the city’s street rating system along with two recent independent contractor pavement condition reports conducted in FY16.

The proposed Capital Fund budget is based on the five-year Capital Improvement Plan (FY17-21) scheduled for consideration by the City Council on April 11, 2016.

Revenues

Funding sources for infrastructure and city facilities’ needs are limited to our capital improvement sales tax, grants and transfers from the General Fund. As sales tax revenues have been stagnant over the last decade, transfers from the general fund will continue to be an important revenue source to ensure proper maintenance of our infrastructure.

The half-cent capital improvement sales tax is the major funding source for the CIP. Capital sales tax revenues are projected to be \$2,050,000 at the end of the current fiscal year. A 1.25% annual increase in sales tax revenue is projected in years 2017 through 2021.

General Fund transfers of \$400,000 are recommended for FY17 through FY21. These transfers will provide funding for the city's street program and are possible due to the city's substantial fund balance.

The city has been successful in obtaining grant funding for street and park projects, and it is anticipated that we will be able to obtain future grant funding to supplement the plan as presented.

Expenditures

The FY17 projects are outlined in detail in the Capital Improvement Program (CIP) budget. Expenditures by major category are as follows:

- Building and Improvements - \$379,000 (offset by approximately \$20,000 in grant funding)
- Stormwater Projects - \$460,000
- Street and Sidewalk Improvements - \$2,708,194 (offset by approximately \$803,764 in grant funding)
- Capital Equipment - \$374,955

MUNICIPAL ENTERPRISE FUND

The Municipal Enterprise Fund (MEF) includes the operations, maintenance and capital outlay of the city's golf course and ice arena. The fund is comprised of four divisions: Golf Course/Pro Shop, Golf Course/Maintenance, Ice Arena, and Food Services. Overall, Operating Revenues for the Enterprise Fund are projected to increase by 3.84% to \$1,005,644. Operating Expenses for the Enterprise Fund are anticipated to increase by 3.26% to \$1,023,679. This increase is due to normal increases in personnel costs and a variety of capital outlay purchases.

We continue to strive for the MEF to offset all operating expenses with operating revenues. Future projections indicate that General Fund transfers of \$20,000 will be required to support MEF operations over the next five years, an amount which is substantially less than many prior years.

Ice Arena

Ice Arena revenues are estimated to increase by 3.32% over projected FY16 revenues to \$549,325 in FY17. Estimated expenses for FY17 are projected to decrease 4.82% to \$461,551 when compared to projected expenses for FY16.

Golf Course

Golf Course revenues are budgeted to increase in FY17 by 4.59% to \$401,319 when compared to projected revenues for FY16. Estimated expenses for FY17 are projected to increase by 12.04% to \$520,221 over projected FY16 expenses of \$464,300. Increases in expenses resulted from the new Walters Golf contract and higher than usual capital purchases in FY17.

The city's golf course has seen a steady decrease in rounds of golf played over the last decade, which is a trend consistent with other golf courses in St. Louis as well as nationally. Efforts to increase revenues will continue in FY17 through improved marketing including on-line reservations, use of a dynamic pricing model, and sponsorship opportunities. The city recently hired Walters Golf to provide consulting services to the city in order to improve the financial visibility of the golf course. A citizen's task force was also formed to help with marketing and guide long-term financial improvement. In FY16, City Council approved increases to golf course fees.

The city entered into a long-term lease for golf carts in FY14. The lease arrangement is financially advantageous to the city and well as provides a better level of service to our patrons. In FY17, an increase of approximately \$14,256 is anticipated as a result of not having a trade-in value of a cart fleet as occurred with the initial 3-year lease contract.

A needs assessment of the Dielmann Recreation Complex was completed in FY14 followed by renovations in FY16. Renovations included both operational and energy efficiency improvements and additional meeting space for revenue generation. Staff successfully pursued a grant to offset approximately 92% of the cost of the renovations through the Regional Parks Commission. Expenses for this project were \$472,588, with \$435,456 in grant revenue reflected in FY16.

A golf course needs assessment was completed in FY16 to consider the long-term capital needs of the golf course. The assessment will also serve as a basis for future grant requests through the Regional Parks Commission. In FY17, a 6% grant match of \$21,000 is budgeted in the Capital Improvement Program to replace the asphalt golf course path which has fallen into disrepair.

Food Services

Food Service revenues are projected to increase in FY17 by 3.58% to \$55,000 compared to projected FY16 revenues of \$53,100. Estimated expenses are projected to decrease to \$41,907 compared to projected FY16 expenses of \$42,111.

Budget highlights and detail for Golf, Food, and Ice are included within the proposed budget.

EMPLOYEE RETIREMENT FUND

The city maintains a defined benefit retirement plan for vested city employees. Contributions are made to the fund annually based on actuarial assumptions and investment performance. The employer contributions for FY17 are budgeted at \$1,275,000 including interest compared with FY16 employer contributions of approximately \$995,000 plus interest. As previously noted, in FY16, City Council made changes in assumptions adopting a more conservative pension plan assumptions of 7% projected interest earnings and retirement of unfunded liability in 10 years. The FY17 budget includes an employee contribution of 3% of salary (\$106,000) to help offset a portion of the cost of the defined benefit pension plan.

CONCLUSION

Accountability to our citizens is the cornerstone upon which trust and support are built. Continuously setting high standards and determining priorities to meet the expressed needs of our citizens sets Creve Coeur apart from other communities.

The FY17 budget is hereby presented for your consideration, setting forth a work plan we believe will provide the services Creve Coeur citizens have come to expect from the city. We look forward to the upcoming budget discussions with the Mayor and City Council and the Finance Committee.

Many members of the staff have worked long hours to prepare this year's budget. They have labored to make it as accurate as possible and organized it so that the budget will serve as both a tool for decision-making and a communicator of policy. Special recognition goes to Dan Smith, Finance Director, Sharon Stott, Assistant to the City Administrator, Deborah Loso, Finance Manager/Accountant, and Sherry Hall, Administrative Assistant, for their diligence in developing this budget for your consideration.

Sincerely,

Mark C. Perkins
City Administrator