

MINUTES OF THE REGULAR MEETING OF FINANCE COMMITTEE OF THE CITY OF SUNSET HILLS, MISSOURI HELD ON TUESDAY SEPTEMBER 07, 2021

Meeting convened at 5:33 p.m.

Place of meeting: City Hall Robert C. Jones Chamber.

The Finance Committee of the City of Sunset Hills, Missouri met in open session. Chairman, Alderman Joe Stewart, Member Mike Fitzgerald, Alderman Fred Daues, Member Mike Sawicki, Finance Director, Susanna Messmer, City Administrator, Brittany Gillett, and Alderman Randy Epperson were personally in attendance.

Absent: Member Mark Colombo, Member Jeff Camilleri

Approval of Minutes

Alderman Daues made a motion to approve the minutes from the July 12, 2021 Finance Committee meeting.

Alderman Fitzgerald seconded the motion and it was unanimously approved.

Fund Balance policy review and discussion

Ms. Messmer explained the fund balances could be looked at like a reserve, comprised of cash and investments with liquid items such as tax receivables which are offset by short term liabilities. She explained it was mostly comprised of cash and investments. A fund balance covers operating expenses in the absence of or a decline of revenue.

Ms. Messmer explained the City had three different types of funds.

1. General fund

2. Capital Improvements Fund, funded by local sales tax that must be restricted only for capital improvement items.

3. Special Revenue Funds, which there are three. Ms. Messmer explained these were set up for transparency and could actually be part of general fund but city has chosen to break them out.

Ms. Messmer asked how much cushion the City wanted to have to cover operating and capital improvements.

Alderman Stewart asked what was common. Ms. Messmer stated the average is 35% of annual operating expense.

Ms. Messmer informed the committee the City was currently at 90% reserves.

There was discussion on how the salaries paid out of the Road Fund would be covered in the absence of the funds.

Ms. Messmer explained that there would be potential cuts in projects and possible staff. Alderman Daues stated that the decision to use the Road funds was made during the first wave of Covid-19. He stated the funds were designated to personnel because it was a more identifiable expense, Ms. Messmer agreed.

Alderman Stewart stated they were looking for a minimum fund balance policy for the main three funds and if they should they be structured the same.

Ms. Messmer stated she would separate out Capital Improvements expenses due to the nature of the fund. She explained funds that have operational and capital activity with mostly operational would apply the same rule, General fund and Special revenue funds at 35%-40% of prior year operating expenditures. Ms. Messmer stated the Parks and Storm Water fund has debt service payments allocated out of it for the Community Center. Ms. Messmer explained the expenses were approximately a million a year and set to expire in 2026/27. She stated that was something additional to consider when setting a fund balance policy.

Alderman Daues asked if it was appropriate with a fund balance policy to have the Finance Committee make a recommendation to the Board to save funds for upcoming projects.

Ms. Messmer stated the Capital fund was unique in that the City could save up funds each year for future projects. She explained that it could be set up so there was no ratio associated with it, and it was based on 5-year forecasting for Capital Improvements.

Alderman Stewart stated he wanted to provide the policy structure without it being too tight or having too many exceptions.

Alderman Daues referenced plans for improvements to the City Hall building and meeting rooms that were previously drawn up and presented to the Board of Aldermen.

Member Fitzgerald asked how we defined what came out of the Capital account. Ms. Messmer replied any new asset and/or any major work that extends the life of an existing asset. Member Fitzgerald asked if the roof replacement costs or remodeling costs would qualify for that. Ms. Messmer stated the planning/construction drawings were already listed as a fixed asset. Member Fitzgerald asked about money accumulating in the CI. Ms. Messmer explained that we did accumulate funds in the CI Fund last year because of concerns with Covid and uncertainty. Ms. Messmer stated it would be a good idea to set up fund policy to include a 5-year spending plan.

Alderman Stewart asked Ms. Messmer how she would articulate the fund balance policy.

Ms. Messmer stated the fund balance should be analyzed in conjunction with the 5-year/8- year forecast and the balance should reflect the needs of the City to pursue desired Capital projects in year X.

Member Fitzgerald asked if we should have any money at all in the Capital fund if it is just going to be sitting there. Alderman Stewart stated yes so that it was available for designated projects requiring additional funds.

There was discussion on the definition of minimum fund balance vs. forecasting for the Capital improvements fund. There was additional discussion on allocation of the funds. Member Fitzgerald recommended staying close to 20-30% of the 1/2 cent sales tax funds received.

Member Sawicki stated he felt the minimum fund balance for general fund should be at least 50%. Member Sawicki asked if there was a fund balance policy for general fund. Ms. Messmer answered yes however it was tied up with the investment policies. She stated they were at 30-50%.

Member Fitzgerald asked where we stood against budget currently. Ms. Messmer replied the operating expenditures were tracking budget currently. Member Fitzgerald asked if a deficit was projected. Ms. Messmer replied we always try to end up at zero, zero surplus/zero deficit.

There was discussion on the Plaza and the revenue associated with it. Member Fitzgerald stated we had business interruption insurance. There was a question on how much the policy covered. Alderman Daues asked Ms. Messmer to put together the insurance information for the next meeting.

Alderman Stewart asked if a designated fund need to have a spend down to zero stipulation. Ms. Messmer answered that would show residents what the funds were spent on and that they were being used as designated.

Alderman Stewart asked if any funds spent beyond the special revenue fund would come out of Capital Improvements first. Ms. Messmer answered it was up to the Board.

Budget scenarios for new Prop P fund

There was lengthy discussion on the Prop P funds designation. Member Fitzgerald stated the qualifying expenditures needed to be defined. Chairman Stewart asked if they should lock the salary and benefits into Prop P and allow for Pro-rata increases. He reiterated the need for correct salary and benefits numbers so it can be figured out as a percentage of the Prop P revenue stream.

Additional discussion was had on the special revenue funds and what the fund balances should be.

Chairman Stewart recapped the fund balance policies for each type of fund.

1. Zero minimum fund balance policy for County Road, Parks-Storm Water, and Prop P special funds
2. 30% of annual sales tax revenue minimum fund balance policy for Capital Improvements
3. 50% of expected annual expenses minimum fund balance policy for the general fund.

Member Sawicki made a motion to approve the fund balance policy as described, Alderman Daues seconded the motion and it was unanimously approved.

Investment policy discussion with guest Brad Lukens of Arbitrage Management

This discussion will be held at the next Finance Committee meeting

General Discussion

Ms. Messmer reviewed the budget adjustments proposed for recommendation to the Board of Aldermen.

Alderman Daues made a motion to approve the budget adjustments. Member Sawicki seconded the motion and it was unanimously approved.

Other Matters

Alderman Daues asked about the County Road Fund and if the personnel expenses being paid out of the fund would be moved back. Ms. Messmer stated that could be changed and was up to the Board of Aldermen to define what type of Road items were eligible.

Alderman Daues asked about fiscal rules on Department Heads spending. Ms. Gillett explained expenses over five thousand dollars required Department Head approval as well as City Administrator approval. She explained that anything over 15, 000 had to go to the Board for approval.

Alderman Daues stated he felt there should be some funds allocated to maintaining the front of City Hall. He stated the current landscaping did not reflect the City. Ms. Messmer explained the landscape company previously used was cut from the budget last year.

Adjournment

Member Sawicki made a motion to adjourn the meeting. Member Fitzgerald seconded the motion and it was unanimously approved.

Meeting adjourned at 7:12 p.m.

Deputy City Clerk- Lori Stone