

CITY OF FRONTENAC



AMENDED MINUTES OF THE CITY OF FRONTENAC WAYS AND MEANS COMMITTEE FRONTENAC CITY HALL, COUNCIL ROOM TUESDAY, DECEMBER 20, 2016

A. CALL TO ORDER

The December 20, 2016 meeting of the Ways and Means Committee of the City of Frontenac was called to order at 5:40 P.M.

B. ROLL CALL

The following Committee members were present:

- | | |
|------------------------------|--------------|
| ✓ Chairman Warren Winer | ✓ Mark Kiehl |
| ✓ Alderperson John O'Connell | ✓ Jane Rubin |
| ✓ Michelle Bock | |

Jane Rubin arrived at 6:04 pm

Also in attendance were City Administrator Bob Shelton; Finance Officer Lea Ann Layden and City Clerk, Leesa Ross.

Ms Ross noted that there was a quorum.

C. APPROVAL OF AGENDA:

Chairman Winer requested approval of the December 20, 2016 Agenda.

MOTION: Mr. Kiehl motioned and Alderperson O'Connell seconded approval of the agenda. All voting members present voted in the affirmative.

MOTION PASSED.

D. APPROVAL OF MINUTES:

Chairman Winer requested approval of the November 8, 2016 Regular Meeting Minutes.

MOTION: Mr. Kiehl motioned and Ms. Bock seconded to approve the minutes. All voting members present voted in the affirmative. **MOTION PASSED.**

E. PUBLIC FORUM (PRESENTATION OF REMARKS AND/OR PETITIONS):

No comments were made at this time.

F. COMMENTS BY COMMITTEE MEMBERS:

No comments were made at this time.

G. CHAIRMAN'S COMMENTS:

Chairman Winer had no comments at this time.

H. ANNUAL AUDIT PRESENTATION BY HOCHSCHILD BLOOM & CO LLP

Mr. Michael Williams and Ms. Penny Scovill were the representatives for Hochschild Bloom & Company LLP who presented the comprehensive annual financial report for the year ended June 30, 2016.

Mr. Williams presented the audit page by page starting with the transmittal letter from the city; and stated the city received the Certificate of Achievement for Financial Reporting (CAFR) for the FY 2015 audit. He stated approximately 10% of governments receive it. The Ways & Means Committee gave kudos to the finance department. Mr. Williams stated this is an independent audit report and the city received an unqualified modified opinion. Mr. Kiehl asked about outflows versus inflows. Mr. Williams stated the revenue was \$8,562,000 and expenses are \$9,006,000 for a net change in the red of \$443,000. He said there is a pension asset of \$2.2 million dollars. He said on page 14 there is a deferred inflow of uncollected property taxes at \$18,000 and PILOT payments of \$37,000. He said the total fund balance was \$11,817,600. He said on page 18, there are agency funds totaling \$33,800, which \$1,825 is court bonds and \$32,000 is the WEP CID. Mr. Williams stated the investments are secure and the city is in compliance. He also discussed capital assets and depreciation on page 27. A LAGERS disclosure was on pages 28 and 29 and on page 30, the accrual assumptions. In regards to accrual assumptions, liability is \$17,325,000; plan fiduciary is \$19,558,000 with a net pension liability of \$2,232,000; and currently it is overfunded by \$2,000,000. On page 32 are the City of Frontenac operating leases and on page 33 are the SLAIT insurance pool and dispatching services. On page 36 it shows revenues under budget by \$309,000 and expenses under budget by \$247,000. On pages 48 – 66 was the statistical section which showed financial trends; revenue capacity; debt capacity; demographic and economic information and operating information.

Mr. Williams stated in the internal control and compliance section there were no incidences of non-compliance. He stated in the management letter

there were two issues which should be addressed which were the credit card policy and fuel policy. He said the credit card policy needs to be verified and card holders should sign an agreement; regarding the fuel policy, there should be policy and procedures on how it should be signed off on and reviewed. He stated last year there were two issues written regarding the municipal court and they both were rectified.

Mr. Williams stated regarding the lawsuit, it was not written into the audit because in the letter from the city attorney, he said the likeliness of a settlement is slim; and Hochschild Bloom does not believe it required disclosure. Mr. Shelton asked them to review the attorney letter sent by Mr. O'Keefe. Mr. Winer stated he would like to understand the letter better and said there is no good news out there, as to the long-term financial future.

I. REVIEW OF FINANCIAL REPORTS:

November, 2016:

Due to time constraints, of the Board of Aldermen meeting immediately following, Mr. Kiehl suggested suspending discussion of financials.

Ms. Layden stated she is completing a sales tax analysis by retailer and stated she believes a couple of retailers are under reporting and several or non-reporting, and she stated she will follow up with the Department of Revenue.

Mr. Shelton stated there is a combination of a decline in sales tax compared to last year which he believes is 2/3 of the problem and a couple of retailers who appear not to be reporting which he believes is 1/3 of the problem. Ms. Layden stated the two largest retailers did not report last month, which is reflected in the sales tax numbers. She also stated in the December financial report, there are low sales tax receipts.

J. OLD BUSINESS:

✦ Sales Tax Trends

Alderperson O'Connell stated he would meet with Ms. Layden and adjust the timing of the Shriners site and have the numbers available at the January meeting.

✦ Status of Grove PILOT (Payment in Lieu of Taxes)

Ms. Layden stated a PILOT payment of \$30,000 was received and they have paid through 2015. Mr. Kiehl asked when they will anticipate being fully paid

for the calendar year 2016. Ms. Layden stated by February 2017. A question was asked when the payment is due. Mr. Shelton stated he is unsure. Alderperson Bray asked how much the bond amount is, Mr. Shelton stated it covers one year's payment.

✦ Long Range Finance Model Update

Alderperson O'Connell stated in January he will come up with long-term projections and several assumptions. He said he has not done sensitivity testing. He said he will come up with three scenarios; the first, no revenue for the LECC site; the second, sales and property tax revenue projections for the Shriners site; and the third, no revenue or revenue neutral for Shriners'. Chairman Winer asked that a scenario is run at a flat sales tax or zero growth. He said the city is being affected by internet sales. He also stated there may be a need for a possible tax increase in the future, with minimal growth or zero sales tax growth.

✦ LECC Lawsuit

Mr. Shelton stated he had no update to report.

NEW BUSINESS:

✦ Redevelopment Updates:

Mr. Shelton stated there is no redevelopment update to report. He said there is talk going on regarding the Shriners property, and stated DESCO has it under contract.

Mr. Winer asked about the municipal league's discussion of the City of St. Louis reentering the County of St. Louis. Mr. Shelton stated the municipal league supports the City of St. Louis reentering St. Louis County, and said it should not affect sales tax. He said Frontenac would be an "A" city and still share sales tax. Mr. Kiehl stated if the City of St. Louis reenters the County, it could effectively lower the county-wide sales tax per capita benchmark (used by the St. Louis County sales tax sharing formula to calculate sharing of sales tax revenues between St. Louis County municipalities). Mr. Shelton stated at this time the municipal league has recommended to study the issue and stated there are no set perimeters. He said there is no position on sales tax, to study the re-entry. Alderperson O'Connell stated the City could be stand alone not "A" or pool.

J. SCHEDULE DATES FOR NEXT MEETINGS:

Tuesday, January 10, 2016 – 7:00 PM (Training Room)

K. ADJOURNMENT

Chairman Winer requested approval for adjournment of the December 20, 2016 meeting.

MOTION: Mr. Kiehl motioned and Ms. Bock seconded that the meeting be adjourned. All voting members present voted in the affirmative. **MOTION PASSED.**

Meeting adjourned 6:42 P.M.