



AUDIT & FINANCE COMMITTEE

MINUTES – October 18, 2023

The regular meeting of the Audit & Finance Committee was held Wednesday, October 18, 2023 at 4:30p.m. Those in attendance included:

Member	In Attendance	Absent
Randy Atkisson	x	
Rich Carver		x
Brent Dolezalek	x	
Katrina Pon		x
Lori Hartman	x	
Conor Ward	x	
Patrick Barrett		x

Also in attendance were:

Tracy Hansen, Director of Finance
Douglas Harms, City Administrator

October 2023 Sales Tax: The Director of Finance gave an update of October sales tax receipts (August at the register). October sales tax came in 34.16% higher than prior year. The increase is primarily due to one large merchant finally catching up on their submissions.

On a cash basis, Sales tax is 5.36% higher compared to 2022 across all categories. The Park Fund is a good indicator of only Des Peres activity and is performing 2.30% better than the same period of 2022.

On an accrual basis, Sales tax is finally positive with a .42% increase over prior year or \$44,593 compared to 2022.

The 2023 projections show sales tax exceeding budget. Using an average of both the cash and accrual projections, it shows the City will end 2.9% over budget in all sales tax categories. The sales tax that effects the General Fund is projected to be 1.94% higher than budget.

The Director of Finance also provided a breakdown of Sales tax by category: West County Mall, Grocery Stores, Restaurants, and Other.

The Director of Finance stated that she used the October sales tax numbers for the 2024 sales tax budget. The City Administrator stated he is looking into possibly increasing the 2024 budgeted amount for sales tax based on October's performance.

September Financial Statements: The Director of Finance distributed September 2023 financial statements and a 3rd quarter summary. Across all funds, the City has an increase in fund balance of \$1.9 million with an ending fund balance of \$28.3 million. She reviewed the City's investments and noted \$99,000 in interest was received from investments in the 3rd quarter.

General Fund revenue is ahead of expectation at 86.96% of the budgeted amount. This is due to a \$200,000 settlement from Charter Communications. General Fund expenses are 74.87% of budget and are expected to remain under budget for the remainder of the year. The Director of Finance noted the deficit in the General Fund is normal this time of the year because a transfer from the Fire Fund occurs at year-end.

The Park Fund has a fund balance of \$6 million. Revenues are 10.59% higher than prior year. Much of this increase in revenue is due to the increase in the market value of investments. Memberships are up 14.17% compared to 2022. Ms. Hartman asked if anything attributed to the increase in memberships. Ms. Hansen stated the Lodge recently held a membership drive. The Parks Commission is reviewing membership and daily fee rates and determining if a rate increase will be recommended. Ms. Hartman suggested if there is a rate increase, the Lodge should also send some form of communication highlighting all of the improvements the Lodge is making to the building and purchasing new equipment. Mr. Dolezalek asked if the City could grandfather in rates for current members and increase rates on new members. Ms. Hansen explained that the current software would not allow for two membership rates.

The Capital Fund has a decrease in Fund balance of \$1.4 million and a current Fund balance of \$6.1 million. The Capital fund had a budgeted deficit in 2023, but due to delayed projects the deficit is expected to be lower than anticipated at \$620,000. Mr. Harms stated expenses in the Capital Fund for Public Safety building renovations will be reimbursed with bond proceeds. Ms. Hansen noted several large 3rd quarter expenditures in the Capital Fund: City Hall parking addition, Public Safety renovation, and Street garage employee parking lot. Mr. Dolezalek asked if the two new parking lots were permanent or temporary due to the construction. Mr. Harms stated they are permanent as additional parking is needed at Des Peres Park and the previous Street Garage employee parking lot is where the new building is located.

Mr. Ward left the meeting at 5:27.

Operating Budget Presentation: The Director of Finance presented the 2024 Operating Budget to the Committee. She reviewed the budget timeline, noting the next Board of Aldermen work session on October 23rd is reserved for the employee compensation discussion. The public hearing for the budget is November 27th and the budget is expected to be adopted at the December 11th Board of Aldermen meeting.

The Operating Budget includes the General Fund, Park Fund, Public Safety Fund and the Fire Fund. The proposed 2024 budget includes the following assumptions: sales tax revenue is based on the 2023 sales tax projections, property tax rolled back to \$0, a property insurance increase of 31%, and free trash for all residents.

The proposed 2024 budget includes a deficit in the General Fund of \$3.2 million. This is due to a \$4 million transfer to the Capital Fund for the City Hall renovation and the new building at the Street Garage. The Board opted to use fund balance to fund these large projects. General Fund expense requests only increased 0.21% compared to the 2023 budget. Mr. Atkisson asked if the budget included salary increases for 2024. Mr. Harms confirmed the budget only included merit increases for employees not at the top of the pay scale. Mr. Harms also noted the current budget did not include any changes to the City's current retirement plan. Personnel Services and Benefits account for 77% of the General Fund budget.

The proposed Park Fund budget includes a \$6.2 million ending fund balance. The Park Fund had a budgeted transfer of \$1 million to the Capital Fund for the Des Peres Park playground project. Since that project is behind schedule the transfer was included in the 2024 Park Fund budget. The Board of Aldermen are considering increasing the Park Fund transfer to the Capital Fund by \$800,000. Personnel Services and Benefits account for 70% of the Park Fund budget.

The Public Safety Fund was created when the County passed a 0.50% sales tax to be used for Public Safety purposes. This Fund includes a transfer to the Debt Service Fund for bond payments relating to the Public Safety building renovation. After the transfer, it is expected to have an ending fund balance of \$321,000.

In 2021, the Fire Sales tax was increased from 0.25% to 0.50%. This fund transfers 95% of the tax collected to the between the Debt Service Fund and the General Fund. The remaining 5% of sales tax will remain in the Fire Fund to pay for large purchases such as ambulances and fire trucks. Mr. Harms noted that the next scheduled large purchase from this fund is a new fire truck in 2026.

Across all funds the total operating budget includes a \$12.9 million deficit. This is due to the \$13 million budgeted for building renovations. The proposed fund balance has an ending balance across all funds of \$22.8 million.

Retirement Memo: The Finance Department consolidated all of the Committee emails on the retirement plan into one memo, which was provided to the Committee at the meeting. Mr. Harms asked Ms. Hansen to send the Committee the retirement presentation he provided to employees at the Columbus Day training event.

Mr. Harms stated that he wants to focus on which plan is the best for employees and the City, rather than if the City is going to pay for prior years of service. He feels there are two steps to the discussion and the focus should be on if LAGERS is the right choice first.

Mr. Atkisson discussed his experience with pensions at previous employers and stated his ongoing concern is the liability for over 30 years. He also pointed out that he agreed with Mr. Dolezalek's comment that competitive pay and a favorable work environment are also factors that have allowed the City to retain employees.

Mr. Dolezalek stated he feels there is missing education on the City's overall benefit package. A discussion commenced about the City's other benefits, such as the early retiree medical benefit. A Public Safety employee can retire 5 years before they are eligible for Medicare and remain on the City's health insurance and pay the employee rate. All other employees can retire 3 years before they are eligible for Medicare and remain on the City's health insurance at the employee rate.

Mr. Harms stated the City may need to enhance education for the Defined Contribution plan and look into adding additional restrictions to the plan. Ms. Hansen stated upcoming regulations called Secure 2.0 will require the City to default to matching, limit loans, and default contributions to a milestone fund.

Ms. Hansen stated she would welcome any additional comments or suggestions to the memo. She stated she could send the memo as a Microsoft Word document if any Committee member wanted to make changes to the memo.

Other Items Discussed: Ms. Hansen notified the Committee the Boards and Commissions reception will be held on December 7th. Invitations will be sent out to Committee members. She also asked Committee members if they prefer in person meetings or zoom. The Committee decided to continue with in person meetings. Ms. Hansen also noted that during construction of the City Hall building, the Committee has the option to temporarily meet at the Lodge. The Committee decided to meet at the Lodge during construction, which is expected to be around April 2024. A discussion also commenced regarding the meeting being held on Monday instead of Wednesday. Previously the meetings were held on Mondays, but were moved to Wednesday a few years ago to accommodate a scheduling conflict. The Director of Finance will reach out to the members of the Committee that were absent to get their input.

Mr. Dolezalek left the meeting at 6:50.

Adjournment: The committee adjourned at 6:55 pm.

Next Meeting Date: The next meeting is November 15th at City Hall.

Respectfully Submitted,
Julie Lancaster
Accounting Manager

AUDIT AND FINANCE COMMITTEE

AGENDA

Wednesday, October 18th at 4:30 PM
Des Peres City Hall – Council Chambers
This meeting is scheduled to be in person.

[Audit and Finance Committee Livestream](#)

The City of Des Peres will be live streaming Audit and Finance Committee meetings during this pandemic to allow the public to observe meetings in real-time. The livestream will commence five (5) minutes prior to the start time of any meeting. Please use the link above for livestream access to our meeting.

- I. Roll Call
- II. October Sales Tax
- III. September Financial Statements (tentative)
- IV. Operating Budget Presentation
- V. Retirement Memo
- VI. Adjournment

AMERICANS WITH DISABILITIES ACT

The City of Des Peres will comply with the Americans with Disabilities Act. Individuals who require ADA modifications due to a disability to attend a meeting should contact the City Clerk at 314-835-6111 or cityclerk@desperesmo.org or use Relay Missouri 711 at least 72 hours in advance of the meeting date to communicate their needs.