



AUDIT & FINANCE COMMITTEE

MINUTES – October 26, 2022

The regular meeting of the Audit & Finance Committee was held Wednesday, October 26th 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 | |
| Jim Kleinschmidt | x | |
| Vacant (ward 3) | | |

Also in attendance were:

Douglas Harms, City Administrator
Tracy Hansen, Director of Finance

The Director of Finance announced the Boards & Commissions reception will be December 8th. Invitations will be mailed soon.

September Financial Statements: The Director of Finance emailed a copy of the September financial statements and 3rd Quarter Financial Summary to the Committee prior to the meeting. The City has an increase in fund balance of \$3.3 million across all funds. She explained the City has \$20 million in investments at the end of September, with an average interest rate of 1.52%.

The General Fund has a fund balance of over \$11 million and has used 93.48% of budgeted expenditures. The Sales and Use tax combined is 20.93% higher YTD than 2021. Mr. Kleinschmidt asked if the Use tax was expected to flat in the future. The Director of Finance stated the growth will eventually flatten out because all merchants will be required to collect internet sales tax starting in 2023. The growth over the past few years is likely because companies had already started collecting sales tax on internet purchases. General Fund expenses are 11.12% higher compared to last year. Personnel and benefit costs make up 58% of the increase along with rising gasoline costs. The Fire Fund and Public Safety Fund will have year-end transfers to cover the current deficit in the General Fund.

Ms. Hartman joined the meeting at 4:47.

The Park Fund has a balance of \$4 million. Daily fees and the Sports Department (tennis and pickle ball specifically) have increased in 2022. Expenses in the Park Fund are only 4% higher than 2021. This is due to turnover of employees at the top of the pay scale and hiring new employees at a lower salary. The Director of Finance also informed the Committee that the Lodge will no longer be outsourcing lifeguarding services in 2023.

The Director of Finance stated the Lodge recovery rate is 80.12%. She will email the Committee members an analysis of the history of the Lodge recovery rate. Mr. Dolezalek stated he encourages the Lodge to continue promoting membership incentives and thinks they will pay off over time. A discussion commenced about the recent incentives and how the Lodge staff is promoting these incentives. A recent promotion resulted in 70 new memberships.

The Capital Fund had a budgeted deficit of \$1.6 million. This deficit is expected to decrease as the Des Peres Road roundabout project will be delayed into 2023 or possibly cancelled if the bids are too high. Bids for the project will be due next month and work wouldn't start until April 2023.

October Sales Tax: The Director of Finance gave an update of October sales tax receipts (August at the register). October 2022 sales tax has a decrease of 18.79% or \$245,215 lower than October 2022. After looking back at the detail from 2021, the Director of Finance discovered that two large merchants made catch up contributions; which would inflate the October 2021 numbers.

Accrual year-to-date reflects eight months at the register (January- August). Accrual basis shows receipts 9.54% higher than 2021. The Park Fund is a good indicator of only Des Peres activity and is performing 8.17% better than the same period of 2021 and 6.40% higher than 2019 YTD totals. This increase is likely due to inflation and increased shopping.

Sales tax projections for 2022 are expected to end at 9.95%, or \$1.5 million over budget. She explained that various sales taxes affect the General Fund via direct allocation as revenues or as transfers from other funds. The General Fund is projected to be 9.34%, or \$903,000 over budget.

Ms. Hartman asked if the City could obtain detail from other malls such as the Galleria to determine if the sales tax increase was due to West County Center's performance or all malls in general. Mr. Harms stated that sales tax information is protected by the owners and unfortunately not published.

The Director of Finance also provided a breakdown of sales tax by category: West County Mall, Grocery Stores, Restaurants, and Other. West County Center and grocery stores remain the 2 largest sources of revenue. A discussion commenced

about a St Louis Post Dispatch article comparing area malls' revenue per square foot.

2023 Budget Update: The Director of Finance gave preliminary budget numbers. She noted the current budget does not include a cost of living increase for employees or the cost associated with new positions requested. The total ending fund balance across all funds is \$22.8 million. The Capital Fund has a budgeted \$4 million deficit due to the Des Peres roundabout, street garage expansion, and debt service funding if the Board of Aldermen decide to remodel the Public Safety building. Mr. Dolezalek asked if the budget includes all increases for insurance premiums in 2023. Ms. Hansen stated that it included increases for insurance and also noted the dental insurance increase was higher than expected, so the City is getting bids from other insurance carriers.

Pension Study Request From Employees: The Director of Finance notified the Committee the Mayor and Board of Aldermen received a petition from 56% of employees requesting a study of the City's current retirement plan. The memo requested the City move to a LAGERS defined benefit plan. Mr. Harms explained the City previously had a defined benefit plan and went to a defined contribution plan in 2000. Ms. Hansen will forward a copy of memo given to the Board of Aldermen that outlines the City's background relating to its retirement plan. Mr. Dolezalek asked if having a defined contribution plan created recruitment or employee retention issues. Mr. Harms stated that he didn't think it created a recruitment issue. Mr. Harms also informed the Committee that a change to LAGERS is a permanent change and the City would not be able to go back to a defined contribution plan in the future. The City intends to hire a third party consultant to educate the employees and the Board of Aldermen about the differences of the defined benefit and defined contribution plan. The Director of Finance noted this would be a good project for the Audit and Finance Committee to give their recommendation to the Board of Aldermen.

Adjournment: The committee adjourned at 5:54 pm.

Next Meeting Date: The next meeting will be held on Wednesday, November 16th at 4:30pm via Zoom.

Respectfully Submitted,
Julie Lancaster
Accounting Supervisor

AUDIT AND FINANCE COMMITTEE

AGENDA

Wednesday, October 26th at 4:30 PM

[Audit and Finance Committee Livestream](#)

In light of ongoing concerns regarding the COVID-19 pandemic, public attendance at Des Peres Audit and Finance Committee meetings has been temporarily suspended. 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. September Financial Statements
- III. October Sales Tax
- IV. 2023 Budget Update
- V. Pension Study Request From Employees
- 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.