

**CITY OF HAZELWOOD
COUNCIL BUDGET WORK SESSION
FEBRUARY 8, 2017**

CALL TO ORDER

A Council work session was called to order by Mayor Matthew G. Robinson at 5 p.m. on Wednesday, February 8, 2017, in the Council Chambers at Hazelwood City Hall.

The following members of the Council were present:

Robert M. Aubuchon
Don W. Ryan
Robert Parkin II
Matthew G. Robinson
Russell Todd
Warren H. Taylor
Rosalie Hendon
Mary G. Singleton
Carol A. Stroker

A quorum was present. Also present were City Clerk Christine Thomas and City Manager Matt Zimmerman.

SPECIAL ORDER OF BUSINESS

ORDER OF AGENDA There were no objections and the order of the agenda was adopted as printed.

REPORT ON CITY'S FINANCIAL STATUS Mr. Zimmerman reported on the City's financial status and revenue and expenditure trends.

A \$1.3 million deficit was budgeted for fiscal year 2017 and the year is projected to end with a \$1.06 million deficit. Staff's preliminary projection for the fiscal year 2018 budget is a deficit of \$1.5 million. Expense assumptions include employee step increases, but no cost of living adjustment (COLA). Mr. Zimmerman explained the lack of step increases this year created bad morale even though a 1% COLA was given to all employees at a time of -1% inflation. Personnel costs increased \$857,000 as a result of the COLA. Other expense assumptions include a 10% increase in health insurance and a flat percent for pension. In addition, the fire districts passed \$.50 and \$.40 increases which translated to an additional \$1 million in annual expenses. Expenses are at 2017 levels, while revenues are at 2014 levels, and it's as though the two new sales taxes weren't even passed. Sales tax revenues, utility tax revenues, and business license fees continue to decline. Court fines are \$1.6 million less than five years ago. The fundamental deficit will only worsen. General Fund reserves dropped from 27% to 22%. They are estimated to be at 17% at the end of this fiscal year and at 11% at the end of

next fiscal year. The target of the General Fund – Fund Balance Policy is to maintain a reserve between 17% and 40%. If it falls between 14% and 17%, we have a year to replenish it. If it falls below 14%, we have two years. If it falls below 11%, we have three years. The theory is, in the event of a disaster such as a tornado when facilities must be rebuilt, we have time to replenish the reserve. It's a policy that can be waived by the City Council at any time. The policy states the City will reduce recurring expenditures to eliminate a structural deficit, increase revenues or pursue other funding sources, or some combination of both options when the reserve fund balance falls below the 17% minimum. The City has passed two new sales taxes, restored services, and waited a year before implementing a new pay plan. Last year, no action was taken to address the structural deficit. There are two pending issues that may help to address the deficit. The first is the proposed countywide sales tax for public safety on the April 4 ballot which would provide \$1.3 in recurring tax revenue for the City. The second is solving the fire district issue which could result in an annual net of \$3 million. Options considered in 2014 to address the structural imbalance were increasing revenues by levying an additional \$.22 property tax increase which has already been approved by the voters and would generate about \$1.1 million or asking the voters to restore a 7% residential utility tax which would generate about \$1.3 million. In addition, steps to reduce expenses could be taken including flat-lining the pension, requiring employees to contribute to the pension, eliminating step increases, cutting programs resulting in personnel reductions, and eliminating the Fire Department minimum manning requirement of four men on a truck. Another option is to close the Elm Grove TIF early which would provide approximately \$400,000 in one-time revenue. Mr. Zimmerman suggested scheduling the Council budget work sessions for the last part of April or first part of May in order to have the result of the April 4 election and a better sense of the outcome of the fire services merger study.

The Council discussed changing from a defined benefit retirement plan for employees to a defined contribution plan.

Mayor Robinson asked if failure to adhere to the reserve policy would affect the City's credit rating. Mr. Zimmerman replied affirmatively.

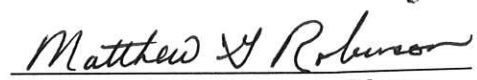
Mayor Robinson asked what reserve percentages were required by other cities. Finance Director Lori Obermoeller replied she conducted a survey and 20 cities responded. Four have a lesser reserve requirement and sixteen are at 17% or higher, with one as high as 75%.

After additional discussion, it was agreed to hold April 12 open for a possible Council budget work session which could be rescheduled if needed.

CITY CLERK'S FY 2018 BUDGET	The City Clerk's fiscal year 2018 travel and training budget was discussed.
CITY COUNCIL FY 2018 BUDGET	The City Council's fiscal year 2018 travel budget was discussed.

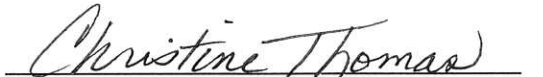
ADJOURNMENT

The meeting was adjourned at 6:40 p.m.



Matthew G. Robinson - Mayor
City of Hazelwood, Missouri

ATTEST:


Christine Thomas, MRCC - City Clerk
City of Hazelwood, Missouri