



WHERE COMMUNITY AND SPIRIT MEET™

SPECIAL ANNOUNCEMENT REGARDING CITY COUNCIL MEETINGS

Under Section 610.015 of the Mo. Sunshine Law provides that members of the City Council who are not physically in the Council Chambers can participate and vote on all matters when an emergency exists and the nature of the emergency is stated in the minutes.

The U.S., and the world, is in a state of emergency due to the Coronavirus—Covid-19. The Missouri Governor and the County Executive directed all citizens to limit meetings and gatherings to a few people to avoid the spread of the Coronavirus. Therefore, members of the City Council have elected to participate in this meeting electronically so that we are compliance with such Orders and for the public health and safety of each other and the general public.

To follow along with the work session of the City Council work session via Zoom please see instructions below:

You are invited to a Zoom webinar.

When: Jan 21, 2021 05:30 PM Central Time (US and Canada)
Topic: January 21, 2021 City Council Work Session

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/89231713798>

Or to Join by Telephone:

Dial: +1 301 715 8592 or +1 312 626 6799
Enter Webinar ID: 892 3171 3798

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****SEE THE FOLLOWING PAGES FOR THE AGENDA**



WHERE COMMUNITY AND SPIRIT MEET™

**Kirkwood City Council Work Session
Agenda
via Zoom
Thursday, January 21, 2021, 5:30 p.m.
(Posted January 19, 2021)**

(Please note that work sessions are for council discussion only and there will be no public comment portion of the meeting. The time for each of the topics are estimates. When a topic is completed the council will immediately move on to the next item on the agenda.)

- I. Approval of the January 14, 2021 Work Session Minutes**
- II. Citizens Finance Committee Report to City Council (5:30 p.m. to 6:15 p.m.)**
- III. Geyer Road Raised Intersection (6:15 p.m. to 6:50 p.m.)**
- IV. Meeting Adjournment**

Kirkwood City Council: Mayor Tim Griffin; Council Members Maggie Duwe, Liz Gibbons, Bob Sears, Wallace Ward, Kara Wurtz, and Mark Zimmer

Contact Information: For full City Council contact information visit www.kirkwoodmo.org/council. To contact the City Clerk call 314-822-5802. To contact the Chief Administrative Officer call 314-822-5803.

Accommodation: The City of Kirkwood is interested in effective communication for all persons. Persons requiring an accommodation to attend and participate in the meeting should contact the City Clerk at 314-822-5802 at least 48 hours before the meeting. With advance notice of seven calendar days, the City of Kirkwood will provide interpreter services at public meetings for languages other than English and for the hearing impaired. Upon request, the minutes from this meeting can be made available in an alternate format, such as CD by calling 314-822-5802.



WHERE COMMUNITY AND SPIRIT MEET®

DRAFT

WORK SESSION MINUTES

A work session of the Kirkwood City Council was held via Zoom Virtual meeting on January 14, 2021 at 4:30 p.m. Present were Mayor Griffin, Council Members Duwe, Gibbons, Ward, Wurtz, and Zimmer. Also in attendance were Chief Administrative Officer Russell Hawes, Assistant Chief Administrative Officer Georgia Ragland, City Clerk Laurie Ashe, Planning and Development Services Director Jonathan Raiche, City Planner II Amy Lowery, Public Information Officer Freddy Doss, and City Attorney John Hessel. Council Member Sears was absent and excused.

ANNOUNCEMENTS FROM CITY ATTORNEY

City Attorney John Hessel stated for the record that under Section 610.015 of the Mo. Sunshine Law provides that members of the City Council who are not physically in the Council Chambers can participate and vote on all matters when an emergency exists and the nature of the emergency is stated in the minutes.

So, let the minutes reflect that the U.S., and the world, is in a state of emergency due to the Coronavirus—Covid 19. The Missouri Governor and the County Executive directed all citizens to limit meetings and gatherings to a few people to avoid the spread of the Coronavirus. Therefore, members of the City Council have elected to participate in this meeting electronically so that we are compliance with such Orders and for the public health and safety of each other and the general public.

APPROVAL OF JANUARY 7, 2021 WORK SESSION MINUTES

Motion was made by Council Member Duwe and seconded by Council Member Zimmer to approve the January 7, 2021 work session minutes. The motion was unanimously approved.

DISCUSSION OF ADOPTION PROCEDURE FOR ZONING CODE AMENDMENTS

Mayor Griffin stated this discussion is for the procedure for adopting the Zoning Code Amendments. As stated at the December 10, 2020 Work Session, it was discussed to move forward on the Zoning Code Amendments and to leave the high profile items such as the B-2 District building heights, residential items including the Floor Area Ratio and Setbacks to address at a later time.

Planning and Development Services Director Jonathan Raiche presented a draft ordinance to the City Council. Since the public hearing was held previously, the next action would be a motion to approve the draft ordinance which would be amending and re-adopting the provisions of Chapter 2, Article VII, Divisions 3 and 9 (the Architectural Review Board and Board Of Adjustment structure); Chapter 5, Article II (Sign Code); and Appendices A and B (hereinafter Chapter 25) (Zoning and Subdivision regulations) of the City of Kirkwood General Code of Ordinances.

The revised ordinance has been updated on the following items:

- 1) Added a “whereas” clause to acknowledge the delay in the adoption timeline due to COVID.
- 2) Added highlighted dates on page 2 for the various sections of code that are being considered. These dates are the most current versions that the City Council has been provided during previous meetings. These dates remain highlighted because they will ultimately be changed to a date that will coincide with the

adoption date and will be tied to the final version once all amendments are incorporated.

Mr. Raiche stated that any items that City Council wishes to revert back to the original Code would need amendments. Staff will take any amendments from the first reading Council meeting and incorporate into the final draft ordinance for the second vote. Council can then take action upon the other recommendations within a reasonable period of time.

Mayor Griffin stated legislation will be placed on the February 4, 2021 City Council agenda for first reading approval.

MOTION TO CLOSE THE MEETING

Motion was made by Council Member Ward and seconded by Council Member Gibbons to close the meeting pursuant to RSMo Chapter 610.021 (1 – Legal).

Roll Call Vote as Follows:

Mayor Griffin	“Yes”
Council Member Duwe	“Yes”
Council Member Zimmer	“Yes”
Council Member Ward	“Yes”
Council Member Wurtz	“Yes”
Council Member Gibbons	“Yes”
Council Member Sears	Absent

The meeting was closed.

MOTION TO OPEN THE MEETING

Motion was made by Council Member Ward and seconded by Council Member Duwe to open the meeting.

Roll Call Vote as Follows:

Mayor Griffin	“Yes”
Council Member Duwe	“Yes”
Council Member Zimmer	“Yes”
Council Member Ward	“Yes”
Council Member Wurtz	“Yes”
Council Member Gibbons	“Yes”
Council Member Sears	Absent

The meeting was opened.

There being no further matters to come before the council, the meeting was adjourned.

Laurie Asche, CMC/MRCC
City Clerk

CITIZENS FINANCE COMMITTEE RECOMMENDATION MEMORANDUM
FISCAL YEAR 2022 BUDGET CYCLE
CITY COUNCIL WORK SESSION
JANUARY 21, 2021

INTRODUCTION AND GENERAL RECOMMENDATIONS

The Citizens Finance Committee (“CFC”) has been meeting weekly since September to review departments’ proposed FY22 budgets as well as major fund balances and overall City sources of revenues. Due to the pandemic, all but one of our meetings have been held remotely over Zoom. We were able to meet once in person, masked and socially distanced, at the new Performing Arts Center where we discussed the budget for Recreation and toured the spectacular new facility. In addition to Recreation, the departments reviewed included Engineering/Planning/Streets, Water, Sanitation, Police, Fire, Electric and Administration (including Workers’ Compensation, Human Resources and Employment Benefits). While our approach was similar to that of prior years, we had to keep in mind that much of City operations were not business as usual.

The unprecedented COVID-19 pandemic became widespread in March just before the beginning of FY21, immediately following City approval of the FY21 budget. The City was faced with COVID economic uncertainties from business shutdowns to control spread of the virus. The impact to revenues and expenses associated with the shutdown and best employee safety protocols in delivering essential services to the City of Kirkwood, including Police, Fire, EMS, Electric and Water, continues to be a challenge.

The City immediately pulled together department leadership to determine critical services and identify expense savings and capital expenditure deferrals while maintaining a safe work environment. Thus, the City immediately executed departmental budgeted expense reductions, including furloughs and hiring freezes, and identified numerous capital expenditures that could be delayed into the next fiscal year until the City could better understand revenue impact from COVID. In total, \$2.8 million was suspended as non-essential spending from FY21 operating budgets, including capital expenditure deferrals, without impacting critical services to our citizens.

The CFC commends the City for the continued prompt, disciplined approach to protecting Kirkwood’s financial viability during the current fiscal year as the City learns more about the predictability of revenues and until economic stabilization is realized. The FY22 budget is conservative but does assume a return to a more “normal” environment with anticipated improvement in the economy and public health. The timing and level of improvement remain to be seen, so the City should continue the disciplined approach for expenses and capital expenditures into FY22.

Several new initiatives and some new positions that were originally planned and budgeted for FY21 have reasonably been deferred but are reinstated in the FY22 budget. As you will see in individual department reviews, the CFC still supports many of these initiatives and positions and is in favor of the investments when the revenue picture improves.

The CFC is concerned about the City's aging infrastructure. Most notable are the streets which the citizens continue to rank as their number one concern. The City is addressing the streets over time and next year will begin the second five-year plan to improve conditions. The FY22 capital budget anticipates that repairing and replacing streets will utilize 80% of the annual allocation for capital and even that is inadequate.

While streets are the biggest concern, aging infrastructure within the Water Department and Aquatic & Ice Center are also concerning. With so much capital dedicated to streets, this diminishes the amount available for other areas. This is compounded with capital investment deferrals from FY21. Capital investment is also required to generate or expedite savings from operational efficiencies in a timely fashion, provide data for rate/billing flexibility, and automating performance-based budgeting. An initiative that has dropped off the list of capital projects is ERP. We realize that significant expenditures cannot be made presently, but we urge the City to consider this investment in the near future, as initiatives in some City departments, such as "time of use" rates for Electric, dynamic pricing in Recreation and GPS for Fire, depend on or could be assisted with a new ERP system.

The total 5% Dividend Transfer from Electric, Water and Sanitation to the General Fund pays for a large portion of capital needs and should continue. Additional revenue sources for capital may need to be contemplated, including rate increases where appropriate within the Recreation and Fire Department. Ongoing legislation, including COVID relief for municipalities and potential taxation of internet sales and streaming services, could provide additional revenue sources for capital investment.

The CFC has recommendations throughout this document for potentially addressing the funding shortfalls. Suggestions for analysis include debt issuance, outsourcing, and even sale of assets and future cash flows. Ongoing cost/benefit analysis should continue in evaluating these recommendations. Some of these may be too aggressive or lacking in feasibility, but a holistic analysis could be beneficial. To assist with future recommendations, it would be helpful if ongoing actual to budget quarterly results could be shared with the CFC when available throughout the year.

The CFC extends our sincere thanks to department heads and staff who participated in the FY22 budget process. We appreciate their flexibility in meeting on Zoom or socially distanced at a large conference table. Each department head is dedicated and has deep knowledge and a sense of ownership of his/her area. During our meetings we found out that a few of the more senior department heads are planning retirement within the next few years. As the City begins succession and transition for replacement of these key leaders, the CFC stands ready to meet with them during onboarding and beyond to share our work, our charter and our history as well as our ongoing relationship with the City.

We especially want to thank Sandy Stephens, the City's Director of Finance, and her staff. Knowledge of City finances and departments and her relationship with department heads and their staff were very helpful to the CFC as we went through the budget process remotely. We look forward to next year when we can all meet again in person.

REVENUE AND FUND BALANCES

Observation: Revenue Risk. There continues to be uncertainty surrounding municipal revenues from COVID restrictions on businesses, especially municipalities that rely heavily on sales and use tax revenues. The City continues to aggressively review tax receipts from various sources and utilizes fund balances to mitigate downturns. The City's enterprise operations, including Electric, Water and Sanitation, represented 48.1% of total City revenues in FY21.

The remaining \$33.4 million governmental activity in FY21 revenue sources flow through the general fund. Nearly 95% of the City's governmental revenue comes from the following: sale & use taxes (60%), property taxes (14.3%) and service fees (20.2%). Nearly half of the service charges are generated from the Recreation and Fire Departments. While property taxes should be stable over the pandemic, sales & use taxes and service fees representing over 80% of revenue sources are significantly impacted and unpredictable. The City continues to experience significant revenue declines from existing cable franchise revenue due to service shifts to non-taxable streaming services and reduced telecom taxes, costing the City in total \$775,000/year. With increased online purchasing by citizens, the City also is missing out on increased municipal revenues not authorized for collection by the State of Missouri.

Newer revenue sources to fund Fire and Police activities from the Fire Prevention Sales Tax (1/4 cent from FY16) and County Public Safety Prop P (1/2 cent from FY18) are worth nearly \$2.8 million annually. There may be added assistance available to municipalities with changing administration at the Federal level. Enterprise operations of Electric, Water and Sanitation are in total expected to return a 5% dividend to the City's General Fund.

- 1. Recommendation.** The CFC supports continued monitoring of COVID impact to traditional City revenue sources and related impact to the General Fund cash reserves while continuing FY21 City critical service protocols into FY22 until revenues are predictable. The CFC also supports continuing the 5% dividend distributions from the enterprise operations to the general fund and capital improvement fund provided the enterprise cash fund balances do not fall below FY20 cash fund balance levels.
- 2. Recommendation.** The CFC supports continued monitoring of risks associated with State legislative actions regarding Missouri Utility Gross Receipts Tax, telecommunications revenue, cable franchise fees and collection of internet sales tax.

Observation: Service Fees. Excluding charges for electric, water and sanitation, service fees typically represented 20.2% of overall FY20 revenues primarily for ambulance fees, recreation fees and building permits. The pandemic has significantly impacted all three areas with the most significant impact on the Performing Arts Center, Aquatic Center and Ice Center recreation programs due to capacity and social distancing requirements. Despite no reduction in EMS calls, transport to hospitals significantly declined due to COVID, resulting in reduced ambulance revenue for the Fire Department. Challenges throughout FY21 will most likely continue into FY22 until capacity and social distancing requirements are lifted.

- 3. Recommendation.** The CFC supports a review of our current service fee levels for any opportunity for increased fees provided the fees are competitive with like services in our area. Opportunities may exist with non-transport ambulance fees, dynamic pricing ice rink fees, PAC non-ticket opportunities, etc.

Observation: Grants. The City continues to do a great job securing infrastructure and public safety grants. Federal and State grants typically cover 80% of major infrastructure improvement projects. Current fiscal year projects include phase 1 Geyer Road project (Adams to Manchester) for road resurfacing, sidewalk and ADA improvements. For FY22, a phase 1 Manchester Road project (Kirkwood Road to Glendale City limits) for road resurfacing, sidewalk and ADA improvements. Public safety grants are typically awarded via special initiatives for the Police Department.

- 4. Recommendation.** The CFC supports the City's continued monitoring of all available grants to share in the costs of infrastructure projects and the support of public safety.

Observation: Expanding City Service to Other Municipalities. The City has done a great job in expanding our services for a fee to other municipalities for police and fire protection, dispatch services, fleet services, administration/finance services and recreation facilities. With the addition of Glendale for police dispatch and EMS services, the City is getting economies of scale with a third dispatching unit.

- 5. Recommendation.** The CFC recommends continuing the initiative of exploring long-term contracts with surrounding communities provided the contracts reflect the value of services provided while maintaining the same or better service levels for the citizens of Kirkwood.

Observation: Fund Balances. Fund balances were established for the purpose of mitigating future risk to the City, augmenting the City's ability to maintain a strong bond rating with the rating agencies to reduce interest costs on debt issued. The City's enterprise operations (Electric, Water and Sanitation) also contribute to maintaining a strong bond rating.

The City's quick response to pandemic uncertainty with prudent spending and delayed capital expenditures in the near term while providing essential City services should preserve utilization of existing fund balances as a last resort. The General Fund is the largest City fund

second to the enterprise Electric Fund. At FY20, the General Fund unrestricted cash balance totaled 35% of general fund annual expenditures within the guidelines of 30-50% of annual operation expenditures. In the first quarter of FY21, the balance dipped to 26% of operational expenditures due to reduced revenues impacted by the pandemic.

The fund balance of the Police and Fire Pension Plan continues to decline as expenditures exceed the property taxes collected for the Fund. Amounts not covered by the property tax collections have been supplemented annually by the General Fund from the Fire Prevention Sales Tax and County Public Safety Prop P Tax. The property tax for Police & Fire Property Tax Pension Fund has held at the current rate since 1996. Council reversed the voluntary reduction in police and fire property tax which contributed approximately \$200,000 to the fund. Added \$200,000 of Prop P funds were transferred out of the General Fund to balance the Police and Fire Pension Plan Fund.

6. **Recommendation.** Funding out of existing fund balances from FY21 levels should be contemplated once all other funding avenues have been exhausted along with a plan to restore funding levels. Increased revenues may come from higher service fees, tax increases that would require voter approval, and/or new revenue sources.
7. **Recommendation.** The CFC supports closely monitoring all fund balances with prudent revenue and expense COVID protocols to mitigate any existing fund balance declines that may impact the City's existing bond rating and interest expense on outstanding bonds.
8. **Recommendation.** The CFC supports the City's exploration of additional revenue resources to support the Police and Fire pension fund and ensure all liabilities can be satisfied going forward, without a continuing impact on the General Fund. Such an additional revenue source could include an addition to property tax that would need to be approved by voters, which would bring stability to the Fund.
9. **Recommendation.** The CFC recommends that actual revenue and fund balance information be provided to the CFC as it becomes available on a quarterly basis throughout the fiscal year.

KIRKWOOD PUBLIC SERVICES

ENGINEERING/PLANNING/STREETS

Observation: Streets. The condition of streets continues to be a high priority for citizens. The current methodology for street replacement and maintenance has made progress and is in the final year of the 5-year plan. Added funds are needed to expedite street replacement and maintenance as the current \$1.8 million/year spending is not adequate. The City continues to benefit from

Federal and State Grants for major infrastructure projects including street improvement as stated in the revenue discussion in this document.

The City needs a new stream of cash flow for street improvements. We cannot continue to rely solely on the annual transfer from the General Fund funded by the 5% dividend from the Electric, Water and Sanitation Departments. Below are two potential options for the City to consider, including general obligation debt and the creation of a Transportation Department District (“TDD”). There is a lot of work that goes into both options, and both would require voter approval.

- **Option 1:** The City could issue General Obligation debt for the amount needed to repair the streets. This would be a large debt issuance of potentially around \$20-\$40 million. But this has some drawbacks. General Obligation debt requires voter approval because the principal and interest on the bonds is paid back by tax revenue pledged by the City, and pledged revenue could potentially come from a property tax increase.
- **Option 2:** The City could create a TDD. This option does not impose a direct tax on Kirkwood homeowners but still requires voter approval. The TDD may impose a sales tax in increments of 1/8 of 1% up to a maximum of 1% on all retail sales made within the TDD. This is essentially a sales tax on goods sold (excluding motor vehicles, trailers and boats), and those sales taxes collected would go strictly for road improvements in Kirkwood.

1. **Recommendation.** The CFC recommends that the City start exploring the option of creating a TDD the see if the potential impact would be better than issuing traditional General Obligation debt.
2. **Recommendation.** Consider including in the upcoming Kirkwood Community Survey questions regarding citizen satisfaction with existing street infrastructure.

WATER

Observation: Water Main Replacement. A few years ago the City established a goal to replace 1% of water mains annually which is 7,128 linear feet of main. While the City did get to .85% and .86% in FY18 and FY19, respectively, the replacements in FY20 were .59% and are budgeted at only.50% for FY21 and FY22.

1. **Recommendation.** While these budgeted replacement percentages are in line with the .50% national average, the CFC recommends that the City strive to work toward funding the 1% replacement goal in future budgets. The Water Department currently

transfers approximately \$700,000 annually to the General Fund in order to be used for street replacement, one of the City's highest priorities. The City is looking at options for funding streets and if a solution can be found for that, the current transfer of \$700,000 could instead be used to help the Water Department get closer to the goal amount for replacing the aging infrastructure. Another option that could be considered is to perform a cost benefit study of funding Park No. 1 Pump Station Replacement versus replacing and repairing mains and leaks.

Observation: Unaccounted Water. Unaccounted water, including main breaks, has averaged 22-23% over the past three years. While the annual cost to the City of lost water (approximately \$250,000) is less than finding and repairing leaks, the industry average and the Department of Natural Resources recommendation is 10% for unaccounted water. Per discussion with Bill Bensing, new leak sensor technology now exists that could help to identify leaks. Currently the City mainly relies on residents to see and report leaks but many do not reach the surface and are not reported in a timely manner. The cost to purchase the technology is approximately \$300,000.

- 2. Recommendation.** Evaluate the cost versus benefit of purchasing leak detection technology. Determine how much the City could save in annual unaccounted water costs and, therefore, how long it would take to recoup the cost of the software. It might make sense to "borrow" from reserves to finance the technology if sufficient savings can be realized and resources are available to complete identified unaccounted water projects.

Observation: Feasibility of City Selling Water Operation. The infrastructure, operation and administration needed to provide water to the citizens of Kirkwood requires significant capital and ongoing budgetary funding. Considering other needs, there are not sufficient resources to get the City where it should be in terms of keeping up with capital and operating requirements.

- 3. Recommendation.** Consider the feasibility of selling the Water Department. While it was a completely different situation, the city of Eureka recently sold their water operation to Missouri American so it has been done in the past. The City did evaluate the option of selling the water operation to Missouri American in 2000 but decided instead to purchase water from Missouri American and continue the distribution of water in-house. As it has been 21 years since this study, another look at the feasibility of sale may be warranted. A significant infusion of capital from the sale of assets and future operating revenue might be the answer to our street situation. Unlike Sanitation where the citizens recognize and like the service they receive from the dedicated department, it should not make a difference if the water coming out of the pipes comes from Kirkwood or from Missouri American so long as the price is competitive.

SANITATION

Observation: Rates. Due to the steep increase in the cost of recycling due to the global market collapse of the recycling market, in FY21, the City found itself in the position of paying more for recycling than it was paying for trash to be sent to the landfill. In addition, there was a need for additional capital purchases, mainly sanitation trucks. In response to this situation, the Kirkwood City Council determined to continue in-house sanitation services and adopted an approximate 30% rate increase plus future annual CPI adjustment, commencing October 1, 2020. The rate increase included increased fees for curbside service, yard-waste bags, and special pick-ups. With this rate increase, the financial position of the Sanitation Department now has stabilized for the foreseeable future, and the Sanitation Department has commenced funding an annual transfer of \$200,000 for non-sanitation needs.

Notably, the current contract for landfill waste collection expires in 2024. The contract includes the potential for two five-year renewals, thus extending the contract to 2034. The current rate paid for landfill waste collection is \$37.86/ton, with annual adjustments of 2.5-3% anticipated in future years. This rate generally is favorable compared to market rates.

The Sanitation Department also increased emphasis on education of citizens in FY21, including a grant-funded initiative with mailings to all residents and new online materials. This increased educational emphasis appears to have resulted in improved quality and reduced volume of recycled materials, thus reducing costs. Educational efforts and resultant cost-savings are expected to continue in the future.

- 1. Recommendation.** Monitor cost creep and seek to minimize the need for future rate increases, including avoiding annual CPI adjustments if possible. Continue to assess the impact of the annual transfer on the need to increase rates.
- 2. Recommendation.** Consider including in the Kirkwood Community Survey questions regarding citizen preferences 1) for in-house sanitation services versus contracting out these services and 2) for continued operation of the depository versus closure. It is recommended that these survey questions be presented along with explanatory information so citizens are able to provide informed answers.
- 3. Recommendation.** Continue to engage in robust educational efforts, ensuring citizens understand the cost impacts of their recycling choices. Continue to assess and quantify the impact of current educational efforts, the goal of which is to improve the quality of materials being recycled. Sanitation also should continue to seek grants in this area as available.
- 4. Recommendation:** Engage in a review of legal requirements regarding recycling. This review should provide a clear set of guidelines for how much flexibility the City has in the future to restructure its waste-collection program.

- 5. Recommendation.** Continue to explore innovative approaches to waste-collection to reduce the recycling shortfall within legal limits. For example, monitor developments with a possible waste-to-energy facility being considered for the St. Louis area in the future. Additionally, explore the possibility of dropping a material(s) from the recycled items list, for instance glass.

Observation: Operational Efficiencies. Sanitation continues to seek increased operational efficiencies. The adoption of the rolling cart system last year was anticipated to demonstrably reduce capital expenditures, labor costs, and workers' compensation claims. To date, those anticipated reductions are in the process of being assessed, although it appears reductions may be less than anticipated. Other capital investments are being considered to increase efficiency including the use of GPS and route optimization.

- 1. Recommendation.** Continue to monitor and quantify anticipated efficiencies from the adoption of the new rolling cart system.
- 2. Recommendation.** Continue to work toward a goal of route optimization, including the possible adoption of a GPS routing system, assuming such measures will result in cost-saving efficiency gains.

RECREATION

Observation: Ice Rink. The Kirkwood Ice Rink ("Ice Rink") continues to be a stable source of revenue for the Department. Over the last five years, the Ice Rink has consistently generated revenue well above its operational expenses, despite substantial changes to the ice availability in the region during that time. Through both ice-time shortages and surpluses, the Ice Rink's revenue has remained consistently around ~145% of its expenses. This suggests that the current ice rental rate may be set below the current market price and rink utilization may not be efficiently distributed to Kirkwood citizens. After a cursory review of several ice rinks in the region, the Ice Rink's rental rate is approximately 25% - 35% below the standard rental price for an hour sheet of ice. Although this rental rate seemingly assures the full utilization of the facility, it also attracts rental interest from beyond the metro area and, thus, may preclude residents or neighboring municipalities from full access.

- 1. Recommendation.** The CFC recommends exploring a rental rate increase for the Ice Rink to bring it closer to the market rate in the region. The increased revenue may be utilized for capital intensive projects within the Department.
- 2. Recommendation.** The CFC recommends exploring a dynamic pricing model for the Ice Rink rental rates (to the extent one exists) to assure the value of specific rental times are

priced at the current market rate. This model would encourage a more equitable distribution of the Ice Rink expenses by placing a higher expense on those who utilize the facility during prime hours.

Observation: Aquatic Center. Similar to other facilities under the Department’s purview, the Aquatic Center experienced a month-long closure due to COVID during the summer of 2020. This closure resulted in a significant loss of revenue (~\$160,000), but allowed the Department to complete many of its planned capital projects at the Aquatic Center. Nonetheless, the Aquatic Center remains the primary source of capital costs for the Recreation Department as it seeks to repair and restore the 20-year-old facility.

- 3. Recommendation.** The CFC continues to support the Recreation Department’s use of St. Louis County Municipal Parks & Recreation grant for the pool’s infrastructure improvements. Moreover, the CFC encourages the plan to increase admissions and memberships at the Aquatic Center.

Observation: Performing Arts Center. The Performing Art Center (“PAC”) has utilized ~\$24.5 million of the \$26.5 million borrowed for the project (\$23.5 million bond issue plus \$3.0 million interdepartmental loan). Although the PAC is currently operational, capacity is severely limited due to the pandemic and, thus, revenue is not covering the operational expenses. This budgetary shortfall is exacerbated by the debt financing of ~\$1.3 million annually. Despite substantial cuts in operational expenses during the budgetary year, including furloughs of salaried employees, removal of part-time employees, and major reductions in the goods and services utilized (totaling ~\$500,000 in savings), the Recreation Department still expects a ~\$700,000 deficit at the end of the year. If realized, this deficit will draw the current capital fund balance to ~\$3.0 million. Assuming the Recreation Department continues to experience revenue challenges as a result of capacity restrictions surrounding COVID in the upcoming fiscal year, then the debt financing may create a greater deficit – without the options of furloughs or additional cost reductions from closed facilities as experienced in March 2020. This probable series of events could create a compounded deficit for the Recreation Department (*i.e.* \$1.2 million budget shortfall) and potentially draw the capital fund balance below \$2 million. Such a result would severely restrict future capital projects at the Aquatic Center and Ice Rink which utilize the fund balance for capital expenses.

- 4. Recommendation.** The CFC continues to encourage exploration of partnerships and collaborations with public and private organizations, as well as surrounding communities, to develop different revenue streams at the PAC. Although the CFC originally supported the City’s plan for the PAC to be self-sustaining within its first two years of operation (FY23), the events and circumstances surrounding the COVID pandemic have severely constrained that objective. As such, the CFC extends its timeline to account for the challenges of the previous year and now recommends self-sustainability of the PAC by FY24.

- 5. Recommendation.** The CFC recommends closely monitoring of the capital balance (Fund 302), along with projected revenue and expenses for the Recreation Department, throughout the fiscal year. As the unpredictability of COVID restrictions remain, the CFC recommends assessing all options to mitigate budgetary shortfalls within the Recreation Department.

ELECTRIC DEPARTMENT

Observation: Infrastructure Modernization Suspended. Past heavy capital investment in Electric Department infrastructure modernization efforts will increase operational efficiencies including upgrades to Alfred, Leffingwell, and Essex Van Buren substations plus circuits to improve automation, and reduce line loss and improve efficiency of delivering consistent electric service to our citizens. The last 11 circuits' service extensions and LED street lighting planned for FY21 have been deferred to FY22. Once implemented, the savings anticipated for these two projects is \$700,000/year including \$250,000 for remaining circuit upgrades, \$350,000 from previously upgraded circuits and \$100,000 for the LED project. The Electric Department is currently exploring ways of implementing portions of the upgrade to begin to realize these savings by utilizing their own staff versus contractual crews. Other projects placed on hold include vehicle replacement, ERP, and the work order system. The Sugar Creek Substation upgrade has been placed on hold indefinitely due to a high percentage of community coverage with recently upgraded substations. Charging stations and energy storage are potential projects in the long term but no capital investment is planned on the horizon.

- 1. Recommendation.** The CFC recommends moving forward with the remaining circuit and LED street lighting upgrades as soon as City COVID spending restrictions are lifted to realize the anticipated efficiency savings/year.
- 2. Recommendation.** The CFC recommends evaluation of near term financial impact of delayed capital investment.
- 3. Recommendation.** The CFC recommends quantifying savings gained after completion of efficiency projects to be clearly reflected in the budget going forward.
- 4. Recommendation.** The CFC recommends ongoing feasibility analysis of longer term modernization efficiency projects including ERP, the work order system, Leffingwell energy storage, expansion of charging stations, and the Sugar Creek Substation upgrade.

Observation: Cash Fund Balance at Historical Low. The cash balance at the end of the current fiscal first quarter ended at a historical low of \$6.6 million representing a 14% decline from FY20 and 27% decline from FY19. The Electric Department has continued to invest aggressively in

system upgrades, especially the past few years, but has done so at the expense of the cash fund balance. The Electric Department anticipates no further decline in the cash balance due to reduced planned capital investments once system-wide circuit upgrades are completed and favorable purchased power costs, including 2024 wind energy, to supply 25% of electric consumption. Support of other City services are expected to continue via transfers as they have in the past. Currently, the cash balance is anticipated to grow to \$7.7 million in FY21 and \$7.9 million in FY22.

5. **Recommendation.** The CFC recommends the Electric Department continue to closely monitor net cash position and improve cash position above current cash level via ongoing operating efficiencies and winding down of large capital modernization projects.

6. **Recommendation.** The CFC recommends a review of the \$3,000,000 loan to the Performing Arts Center impacted by COVID restrictions to determine future impact to recovery and cash balance.

Observation: Revenue and Expense Management. Residential utilization represents 86% of total Kirkwood utilization. Energy consumption throughout the day is at higher levels because more customers are utilizing energy as they work from home, which evens out loads throughout the day reducing consumption spikes that increases costs. Consumption spikes are harder to predict causing increased reserved energy purchases to cover potential spikes at higher costs. The pandemic impact on Kirkwood school and business utilization continues to place pressure on revenues. The decrease in school and business utilization have not been offset by increases in residential utilization. Through August, the Electric Department experienced a 3.3% reduction in revenue (\$8.9 million versus \$9.2 million) but that's been offset by an 8.7% reduction in purchase power expense (\$7.5 million vs \$8.2 million) due to load reductions in schools and businesses. As a member of MISO (Midcontinent Independent System Operator) marketplace, Kirkwood Electric purchases and sells power daily based upon internal utilization forecasts. The net amount of these transactions total \$7.0 million net of hourly purchases and sales through the MISO platform. MISO information is cross checked with the metering information and load forecasts Kirkwood Electric submits to MISO. Other than through MISO, Kirkwood Electric is not able to sell electricity beyond our current defined region of Kirkwood and would be required to get public service commission approval in Missouri to operate a distribution system in other areas.

Purchased Power represents over 70% of the Electric Department's budget annually. The purchased power portfolio continues to be well managed. The cost of the purchased power portfolio is expected to be stable and will be significantly reduced in future years with access to renewable energy, specifically wind power in 2024, provided positive legislation continues. The Electric Department has mitigated contract risk associated with power access for Kirkwood residents. The City's major long-term contract expires in 20 years, with the block purchase contract expiring in 2 years. Block contracts are typically 3 years in length, which protects Kirkwood Electric from summer peak hours saving 50% or more during those peak times per megawatt hour.

The Electric Department is currently focused on keeping consistent power for residents, businesses, and schools. All other activities have been placed on hold, including no streetlight repairs and tree trimming. Contract labor has been eliminated for safety. Existing labor is operating in rotations with a hiring freeze in place, although a line worker has left unexpectedly. Hiring an apprentice is underway to support current operations and a succession plan. The dividend to the City is in lieu of property taxes for poles, wires, etc. and includes assistance for street paving and water main construction.

7. **Recommendation.** The CFC recommends continued strong focus on system demand to minimize potential excess MISO daily purchases for anticipated peak demands and market risks from selling excess energy.
8. **Recommendation.** The CFC recommends a detailed review of the daily purchases and sales flowing through the MISO system to ensure the accuracy of settlements received from MISO. There is currently \$7.0 million net purchases and sales net flowing into the purchased power account.
9. **Recommendation.** The CFC recommends monitoring of the power portfolio mix and legislation to take advantage of increased use of less expensive renewable energy sources, specifically wind power to begin in 2024.
10. **Recommendation.** The CFC recommends analyzing the ongoing impact of delayed tree trimming with costs associated with potential future down lines from adverse weather conditions.
11. **Recommendation.** The CFC recommends a review of the block purchase contract that has a near term expiration for any potential savings and risk mitigation if any.
12. **Recommendation.** The CFC agrees with the strategy of contract labor utilization as a lower cost solution for tree trimming and engineering functions.
13. **Recommendation.** The CFC recommends the continued transfer of the annual dividend to the City and possible future financial support for larger community goals, provided the cash fund balance is not negatively impacted.

Observation: Residential Rates. The Electric Department does not expect to seek a rate increase in the near future. Currently Kirkwood Electric charges in the winter months are higher than Ameren's rates. Winter rates apply 8 months out of the year compared to 4 months for the summer rates. Using an average residential rate comparison for a household that utilizes 1000Kwh/month, the annual Ameren billing is \$1,260.08 compared to Kirkwood electric billing of \$1,272.36 which is less than a 1% billing difference. Ameren is currently requesting a rate increase due to COVID, smart metering, and energy efficiency. If successful, the Ameren rate will increase 2.5% annually for the next three years starting this spring.

Kirkwood Electric last increased rates in FY17 and FY18. Future rate increases are not anticipated at this time. However, there may be an opportunity to increase rates in the future should Ameren increase rates. This would allow Kirkwood Electric to accelerate remaining modernization initiatives and enhance the cash balance.

Time of use billing, when implemented, is expected to be revenue neutral, requiring billing software, which has been delayed due to COVID.

14. **Recommendation.** The CFC supports maintaining the current rate for Kirkwood Electric as long as Ameren rates are more competitive. If Ameren is allowed to increase rates an anticipated 2.5%/year, the Kirkwood Electric Department should consider increasing rates to expedite remaining efficiency modernization projects and to accelerate building the cash balance.
15. **Recommendation.** The CFC supports efforts following the pandemic to educate the community about the impact of the time-of-use on rates and explore the adoption of time-of-use rates in the future.

PUBLIC SAFETY

POLICE DEPARTMENT

Observation: Accreditation Manager. The January 2020 CFC report to the City Council included a recommendation approving a civilian part-time Accreditation Manager for the Kirkwood Police Department (“KPD”). However, due to the COVID pandemic, the City Council decided to defer implementation.

Based on the experience of other police departments accredited by the CALEA Commission, the need for a specific staff position (manager) devoted to ensuring compliance with the many standards is a necessity. For those police departments who fail to be reaccredited, it is usually due to lack of proof showing full compliance with the standards. A position devoted to ensuring compliance will allow the KPD to maintain an up-to-date set of police policies and procedures, as well as monthly, quarterly and annual performance reports necessary to build an efficient and effective police service. The reports required by CALEA standards will be an aid to future performance-based budgeting.

1. **Recommendation.** Upon the stabilization of revenues, the CFC recommends the hiring of a part-time Accreditation Manager to oversee the numerous tasks and reports necessary to renew certification of the standards. The KPD will receive a return on this investment, e.g., improved performance at all levels and results from civil lawsuits. The CFC also recommends the police grant duties should not interfere with the managing, reporting and complying with the accreditation tasks/requirements. Continued accreditation by CALEA should be the primary, if not the only duty of this part-time position.

Observation: Code Enforcement. The January 2020 CFC report included a recommendation that the Code Enforcement staff be transferred back to the newly reorganized Planning and Building Department. The City implemented a restructuring of the Planning and Building function on April 1, 2020.

2. **Recommendation.** The CFC recommends that the two-member Code Enforcement unit, including one vehicle, which is an important aspect of a complete planning and building function, be transferred back to the Director of Planning and Developmental Services.

Observation: Police Visibility. The 2018 Kirkwood Community Survey of 752 residents asked about their opinion of public safety services. The KPD received a low rating in the area of “visibility of police” (in both the neighborhoods and retail areas). The proposed FY22 budget document includes comments that the police department concurs that police “visibility” in Kirkwood is a valid concern and requires improvement. To improve visibility, the department states it has sufficient staffing levels to allow officers to increase visible patrols.

3. **Recommendation.** The CFC supports the proposed effort to improve police visibility using available assets. In addition, the Committee recommends the following high visibility police programs be considered. The use of Prop P funds may be appropriate to cover the minor implementation costs.
 - a. Marked police vehicles (that are not in use during a patrol shift) might be routinely parked during business hours in the city center (commercial/retail/restaurant area) as well as the Kirkwood Commons, especially during weekends and holidays. A marked unoccupied patrol vehicle parked in a highly visible parking space gives the public a sense of security. Likewise, it gives potential criminals the impression a local police officer is nearby! The number of available marked patrol vehicles can be increased by not trading-in high mileage vehicles when purchasing new patrol vehicles. This decision would allow additional locations each day for the placement.
 - b. The senior patrol commander may designate highly visible, but safe locations in Kirkwood where patrol officers conduct report writing and perform other administrative duties.
 - c. The proposed program to improve visibility may consider the times of the day and days of the week when the public will take notice of the effort to improve police visibility in the neighborhoods.
 - d. The next Kirkwood Community Survey might include a set of questions that would specifically measure the success of this effort to improve visibility in the neighborhoods and retail areas.

Observation: Community Service Officer. The Community Service Officer (“CSO”) has been providing the community with valuable notifications and updates about the activity of the KPD,

specifically through the use of social media avenues. Although the CSO performs many activities that inform the community, there were no performance data available to evaluate the cost/benefit aspects of this program. The current “Community Camera Program,” including the doorbell cameras, has become a valuable investigative aide in assisting detectives and officers in solving crimes and assisting with calls for service. The CFC understands the potential value of video and still cameras in the identification of suspects. The program also has a crime deterrent aspect.

4. Recommendation. The CFC recommends two budget-related improvements in the CSO program:

- a. The CSO should consider maintaining and reporting periodically the tasks performed to evaluate the cost/benefit of the various programs administered. A summary of this activity may be a part of the next KPD budget proposal.
- b. It is recommended the business video program, including the doorbell cameras, be expanded. The KPD should seek grant funds, funded by Prop P, to assist with the purchase and installation, specifically in high incident or strategic areas as designated by the department. The CSO might continue responsibility for managing, including potential expansion of the program.

Observation: Municipal Service Contracts. During the budget process, the CFC was advised the KPD is now supporting a contract with the City of Glendale and the City of Warson Woods to provide dispatch services for police and fire related calls for service. The contract also permits both police departments to use the Kirkwood jail to house/detain their prisoners. In order to handle this responsibility and additional workload of the proposed KPD budget, a part-time dispatcher was requested at an annual cost of \$25,000. It was learned one additional full-time plus a part-time dispatcher was required (1.5 positions).

5. Recommendation. To understand the recent initiatives expanding the number of police and fire service contracts with contiguous municipalities, the CFC recommends the following:

- a. The appropriate department/staff person brief the CFC members before the next budget cycle begins on the methodology/formula used to negotiate service contracts with other municipalities, e.g., Oakland, Glendale, Warson Woods, and Des Peres.
- b. The appropriate department head and Director of Finance be a part of each service contract negotiating team representing the City of Kirkwood.

Observation: Civilian Utilization. The CFC noted during the review of the police budget that the personnel costs (salary and benefits) for a police officer position are higher than a professional staff (civilian) position. Currently, the KPD has a police lieutenant assigned to manage the Communications and Records Unit. This unit consists of only civilian personnel performing functions not requiring certification/mandatory training or authority to enforce the laws and ordinances and not requiring the performance of hazardous duties or having access to firearms or

non-lethal weapons. It is common for state and local law enforcement agencies to employ civilian managers.

6. Recommendation. The CFC recommends the following be considered concerning personnel administration and related costs:

- a. Consider doing a cost-benefit analysis to determine the feasibility of restructuring this Communications and Records Unit position to a civilian position.
- b. The KPD may want to consider contracting with a personnel consultant to examine other police officer positions within the department to determine if those positions could be performed effectively by a qualified civilian, including the use of part-time versus full-time civilian employees.

Observation: Contractual Services/Interdepartmental Charges. Two line items in the proposed budget, Contractual Services and Interdepartmental Charges, represent nearly \$1.2 million or 12.6% of the KPD proposed budget. Questions concerning these two budget categories were referred to the Finance Department. A better understanding of what is included in both line items may assist the KPD in identifying future costs savings.

7. Recommendation. It is recommended the KPD have a full understanding of the various costs included in the Contractual Services and Interdepartmental Charges when preparing the next proposed budget. This may allow for the reduction of some costs.

Observation: Performance Based Budgeting. The January 2020 CFC report to the City Council included a recommendation that the KPD receive clear direction when preparing the FY21 performance-based budget (“PBB”). For example, provide the following:

- a. A definition of PBB as it applies to the City of Kirkwood and the KPD
- b. The format to be used, versus the traditional line-item format
- c. The PBB Cost Centers to be utilized in contrast to line-item cost centers
- d. Technical assistance to include training

The KPD is willing to take advantage of PBB if it would improve performance and is the best use of revenue. It is the CFC’s understanding that implementation of this recommendation had to be delayed due to the impact of COVID.

8. Recommendation. The CFC recommends the KPD begin implementation of PBB when preparing the next police budget.

FIRE

Observation: Department Name Change. The title assigned to the Kirkwood Fire Department (KFD) does not reflect the services provided to the community. Only 1.5% of the 4,956 calls for service in FY20 involved a fire, but the department is officially titled the “Kirkwood Fire

Department.” The current official name was assigned in 1918 when the firefighters and equipment were devoted only to the suppression of fires. The current City of Kirkwood website, as well as the KFD uniform patch, has the department listed as Kirkwood Fire & Rescue.

1. **Recommendation.** CFC supports changing the official name to “Kirkwood Fire & Rescue Department.”

Observation: Performance Based Budgeting. The KFD has the fundamentals in place to fully implement Performance Based Budgeting (“PBB”), including the appropriate cost centers. This will permit the City administration, residents and business to see the value and costs of the fire and rescue services provided, as well as past and projected performance/workload metrics.

2. **Recommendation.** CFC supports full adoption of PBB after obtaining the necessary guidance (e.g., cost centers, timeline, formatting, PBB training, etc.)

Observation: False Alarms. False alarms and false calls for service represent nearly 8% of the KFD workload and continue to be a serious concern for the command staff and firefighters. For example, during the time the fire apparatus and/or EMS ambulance is responding to a false alarm, firefighters and EMS technicians will not be available to respond to a valid call for emergency services.

3. **Recommendation.** CFC supports adopting a City ordinance governing false alarm/false calls for fire or rescue/EMS services including the examination of how other municipalities are managing false alarms. For example,
 - a. Letter to resident for the first false alarm/false call
 - b. Service fee for second false alarm/false call to same address within a 12-month period.

Observation: Emergency Service Fee. Rescue and emergency medical service calls represent 65% (3,275) of the annual KFD workload, although 33% (1,000) of these service calls do not require transportation to the hospital or the person declines transportation. Therefore, the ambulance fee thus is not received by the City as revenue in support of the service. If the City adopted a \$150 service fee on ambulance non-transport, \$150,000 could be available to offset KFD costs of providing this service.

4. **Recommendation.** CFC supports the adoption of an ambulance service fee for emergency calls within a contract municipality when a person declines transportation even though recommended by the EMS technician and/or first aid is administered by the EMS.

Observation: Ladder Tower 1535. The CFC examined the need to replace the aging Ladder Tower Truck number 1535 in the FY26 budget year. The City Fleet Director uses an asset analysis that assigns “usefulness” life expectancy to every vehicle in the city. A point system is applied to every vehicle with any vehicle with a score of 15 or above should be replaced. Ladder 1535 currently has a rating of 21.45 points. The Chief believes replacement should occur in the FY26 budget year as Ladder 1535 will be 15 years old at that time. A delay beyond this date would

significantly increase maintenance costs and decreased resale value. Consideration could also be given to acquiring a mini-pumper to extend the life of Ladder 1535.

5. **Recommendation.** CFC supports beginning to investigate and identify various options to replace Ladder Tower 1535 in FY26. This would include an examination of the yearly maintenance and depreciation costs to retain Ladder 1535 as compared to the cost of a lease/purchase.

Observation: Municipal Service Contracts. During the budget process, the CFC was advised that the City is now supporting a contract with other municipalities to provide fire and EMS services.

6. **Recommendation.** To understand the recent initiatives expanding the number of fire and police service contracts with contiguous municipalities, the CFC recommends the following:
 - a. The appropriate department/staff person brief the CFC members before the next budget cycle begins on the methodology/formula used to negotiate service contracts with other municipalities, e.g., Oakland, Glendale, Warson Woods, and Des Peres.
 - b. The appropriate department head and Director of Finance be a part of each service contract negotiating team representing the City of Kirkwood.

Observation: Performance Data. The KFD does not specifically collect and report data or the costs associated with responding to calls for fire and/or EMS emergency ambulance service within the three contracted municipalities. It would be beneficial to know the number of calls, time out of service, and type of fire (residential, kitchen, grass, smoking related, etc.), and the number of hospital transports versus non-transports.

7. **Recommendation.** The CFC supports the collection of expanded performance data for fire and EMS services within each contracted municipality to better understand the cost/workload relationship as well as the methodology used to determine costs for future or renewed service contracts.

ADMINISTRATION/HR/WORKERS' COMPENSATION

Observation: Health Insurance and Employee Wellness. In FY21, faced with an increase in health insurance premiums after years of minimal increases, the City conducted an eligibility audit of its health insurance program. Based in part on the results of the audit, necessary cost-savings measures were adopted including adjustments to the costs of plan offerings and the elimination of coverage for spouses who have available coverage at their own employers. Also in its effort to control health-care costs, the City continues to offer a robust wellness program for employees through BJC with strong employee participation.

- 1. Recommendation.** In light of the goal of minimizing employee premiums while meeting health care costs to avoid a budget shortfall, the CFC agrees with the City's continued close monitoring of the utilization and costs of various plan offerings and its reductions in covered insureds.
- 2. Recommendation.** The CFC also agrees with the City's continued approach to improving the health and wellbeing of City employees while managing costs through strong safety and wellness initiatives.

Observation: Workers' Compensation. Workers' compensation expenses are primarily associated with the severity of injury (surgery required), not the frequency of injury. Although previously, expenses associated with Workers' Compensation claims had increased, in the past two calendar years, there has been considerable improvement. Fewer claims have been made overall, and costs have been well below expectations.

- 3. Recommendation.** Continue to emphasize education and training to reduce future claims.

Observation: Compensation. Due to COVID, adjustments to the pay ranges that were scheduled and budgeted for January, 2021 have been suspended. The deferred compensation match was also suspended effective April, 2020 but will resume January, 2021. The City will be meeting with its compensation consultant to discuss our pay ranges and cost of living compared to those of comparable cities. Maintaining regular salary increases is important for the City to remain competitive in the marketplace for hiring.

- 4. Recommendation.** Continue to monitor the COVID situation and approaches being taken by other municipalities with respect to employee compensation to react with further adjustments should circumstances warrant them.

Observation: Pension Fund Balances. The fund balance of the Police and Fire Pension Plan continues to decline as expenditures exceed the property taxes collected for the Fund. Amounts not covered by the property tax collections have been supplemented by the General Fund. The amount supplemented by the General Fund is expected to increase in FY22.

- 5. Recommendation.** The CFC supports the City's exploration of additional revenue sources to support the Police and Fire pension and ensure that all liabilities can be satisfied going forward, without a continuing impact on the General Fund. Such an additional revenue source could include an addition to property tax that would need to be approved by voters, which would bring stability to the fund.

CONCLUSION

The City's proposed FY22 budget is more conservative than budgets of prior years but still provides funding for essential services as well as some initiatives deferred from the current year. Due to the downturn and retrenchment caused by COVID, the current year's budget was somewhat irrelevant for purposes of comparison with the FY22 budget, making some areas difficult to evaluate. In addition, we had only first quarter actual data to review so we have not seen the full effect of COVID on the City's finances. However, the CFC thinks the budget is realistic and we are comfortable with it knowing that the City will ramp up expenditures and funding for capital projects only when the resources are available to do so.

The CFC appreciates City Council's consideration of our recommendations and we are happy to answer questions regarding the contents of this document. We welcome the opportunity to discuss responses to our recommendations with the Mayor and City Administrative leadership late this spring.