



Budget Work Session Minutes

September 28, 2015 at 5:30 p.m.

300 Park Drive – Donald “Red” Loehr Police and Court Center

The minutes are prepared in summary to reflect the overall discussion – not verbatim quotes.

The Budget Work Session was called to order at 5:34 p.m. by Mayor Pogue.

In attendance were Aldermen Jimmy Terbrock, Mike Finley, Kevin Roach, Mark Stallmann, Frank Fleming, Jim Leahy and Kathy Kerlagon. Also in attendance were City Administrator Eric Hanson, City Attorney Robert Jones, Assistant City Administrator Thomas Aiken, Police Chief Steve Schicker, Director of Parks and Recreations Linda Bruer, Director of Public Works Gary Kramer, Finance Officer Denise Keller and Human Resource Coordinator Haley Morrison.

City Administrator Eric Hanson opened the meeting with an overview of the budget process for 2016. He outlined the objectives for the evening’s meeting: First he wanted to receive guidance from the Board relative to the preliminary 2016 budget amount for salaries and salary expenses. He noted that 64% of Ballwin’s total budget is salary related expense. He also wanted to go over the staff’s recommended long term Capital Improvement Plans in order to create a funding stream and to anticipate these expenses ahead of time. Mr. Hanson explained that providing the Board with a comprehensive overview of the planned budget and identifying the planned projects happening throughout the City will allow the Board the opportunity of providing guidance to the staff in order to make sure priorities are being met.

Also included in the report are evaluations of the fleet vehicles, facilities and streets. Mr. Hanson said this report shows an overview of all the City vehicles and their current condition and the maintenance costs they have incurred so far. The purpose of this report is to try to reduce and prevent deferred maintenance that costs the city and tax payers more money. By sticking to this proposed plan, it is Mr. Hanson’s hope to reduce the overall capital needs of the city in the long run. This plan will only work if the Board provides feedback in regards to the direction it wishes to go for the budget.

Mr. Hanson stated Ballwin is a people driven business. People are the City’s greatest asset and the City’s largest expense. He said the data is there for the Board to review and give guidance relative to the 2016 budget in order to complete the budget draft on time.

Finance Officer Denise Keller began her presentation with an overview of the employee compensation report. She explained that personnel expenses make up the largest portion of the City’s operating expenses at 64%. The annual budget process begins with the assumptions on which personnel expenses are projected. Ms. Keller explained how the personnel expenses were calculated and how adjustments were made. She suggested that Ballwin should consider reevaluating the cities that are reviewed for this survey since sixteen of the salaries from the employee compensation survey were affected by the “spike rule” whereby the highest salary is thrown out if it exceeds the second highest salary by 10% or more. Of the sixteen salaries thrown out, ten were from the City of Maryland Heights.

Ms. Keller presented graphs and charts displaying how employee compensation affects the overall budget and displayed the comparison between the current projected employee compensation and previous years' compensation budget. As in 2015, the merit increase of 3% was used for these preliminary computations. Ms. Keller stated the contribution rate for LAGERS in 2016 decreased for both general and police employees. The City was extremely fortunate to receive a 0% rate increase for both medical and dental insurance in 2015, but for the upcoming 2016 year, the City will again budget for a 5.5% increase for health and a 3.0% increase for dental. These are the average rate increases the City has received since 2008.

Ms. Keller also outlined the Capital Improvement Plan (CIP) to the Board. Customary projects for road and culvert replacements, park development and playground enhancements are budgeted in the Capital Projects fund. She stated that because of their cost and duration, the budget includes two projects that will be incorporated into the Operating fund: the street tree project and the fleet maintenance plan.

Due to the large number of trees which needs to be removed for liability reasons and the infestation of the Emerald Ash Borer, this will necessitate the removal of the majority of the City's ash trees. This will likely be a ten year project, but the costs in the CIP plan are projected for just five years.

While the City has routinely replaced vehicles and heavy equipment with each budget year, it has not kept pace with the overall aging of the equipment. More than half of the City's entire fleet is rated with a condition of fair to poor and should be replaced within the next five years. Ms. Keller referenced the list of vehicles and equipment in the fleet along with their condition and anticipated replacement cost.

Ms. Keller explained to the Board that the revenues reflected in the CIP Plan are those that are specifically dedicated for capital projects. This includes municipal park grants and matching federal funds associated with culvert and road projects. The balance of revenues to fund capital projects has traditionally come from the City's sales tax revenues, which are also used to fund general operations. Preliminary budget figures suggest that there will not be enough revenues to fund both operations and all of the projects. Ms. Keller stated prioritization of the projects in the CIP Plan is requested. She also stated that these figures do not include any financing for the Government Center Construction which is estimated at \$3.4 million and that annual financing payments are estimated at \$600,000 for three years.

TIM POGUE, MAYOR

ATTEST:

ERIC HANSON, CITY ADMINISTRATOR

E Hanson
T Aiken
A Johnson

Approved: **October 12, 2015**