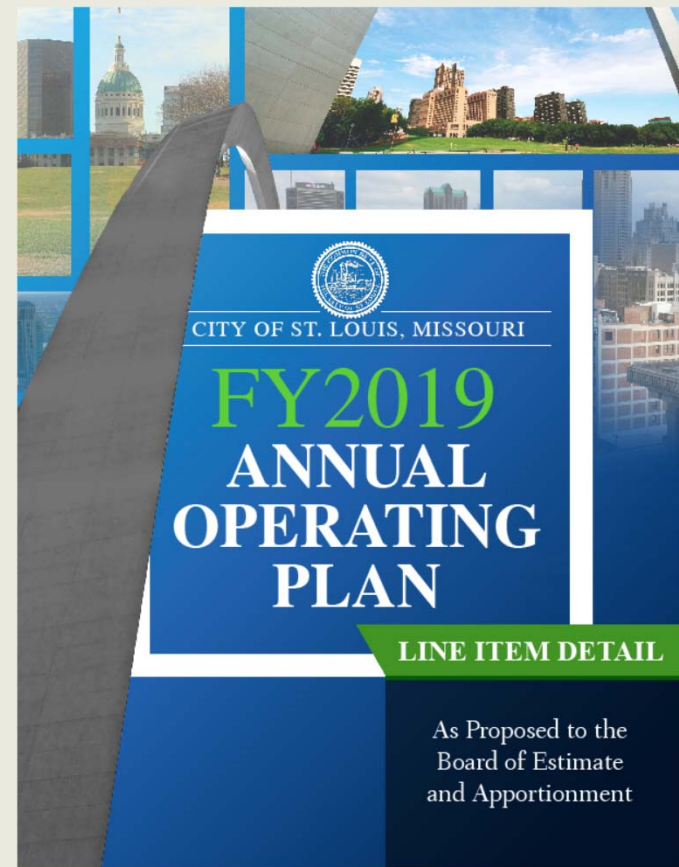


CITY OF ST. LOUIS

**PROPOSED FY2019
ANNUAL OPERATING PLAN**

Presentation to the Board of Estimate
and Apportionment

April 18, 2018



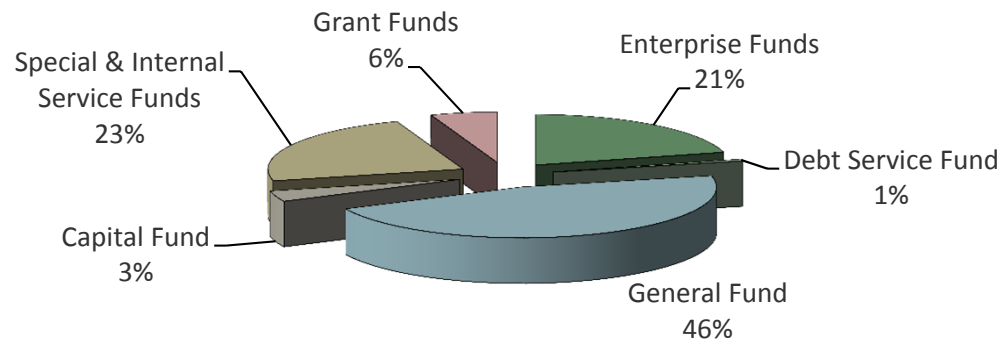
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

THE ANNUAL OPERATING PLAN FOR FY2019 TOTALS \$1,112.4M,
AN INCREASE OF 5.1% OVER THE PREVIOUS FISCAL YEAR.

(in Mil. \$)	<u>FY18</u>	<u>FY19</u>	<u>% CHG</u>
General Fund	\$513.1	\$516.6	0.7%
Special Revenue	138.1	173.5	25.6%
Grant Funds	54.2	61.5	13.5%
Debt Service Fund	5.8	5.9	0.4%
Capital Improvement Funds	39.9	37.6	-5.6%
Enterprise Funds	226.4	232.6	2.7%
Internal Service Funds	81.0	84.7	4.6%
	\$1,058.5	\$1,112.4	5.1%

FY2019 Budget - All Funds

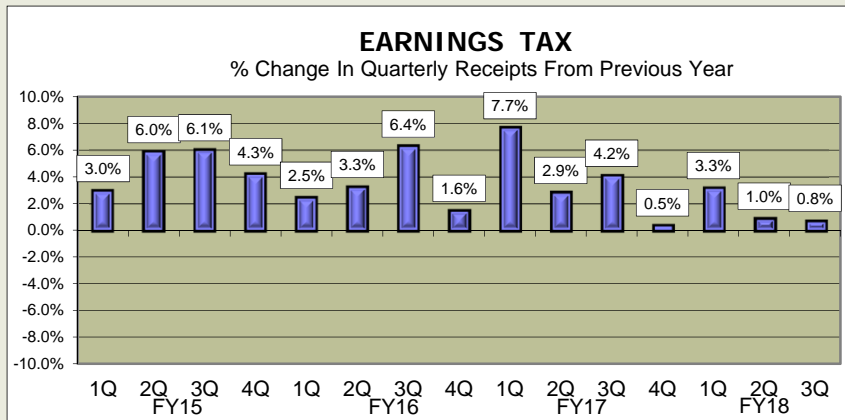


Total Appropriation = \$1,112.4 Million

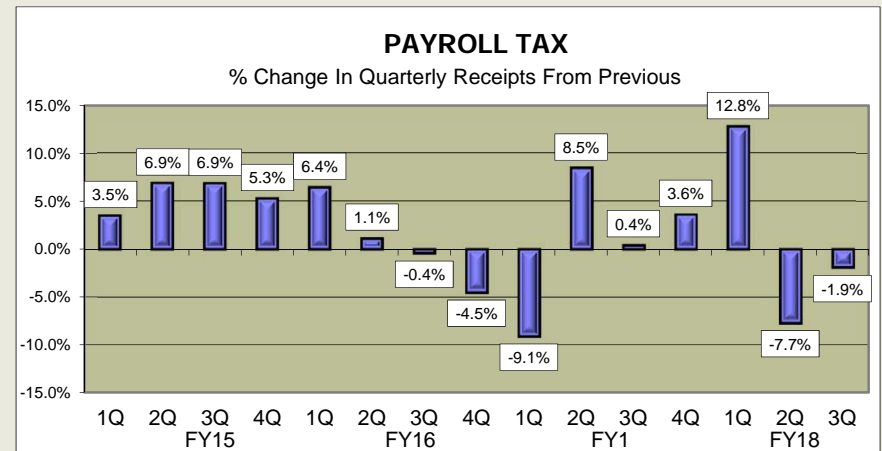
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

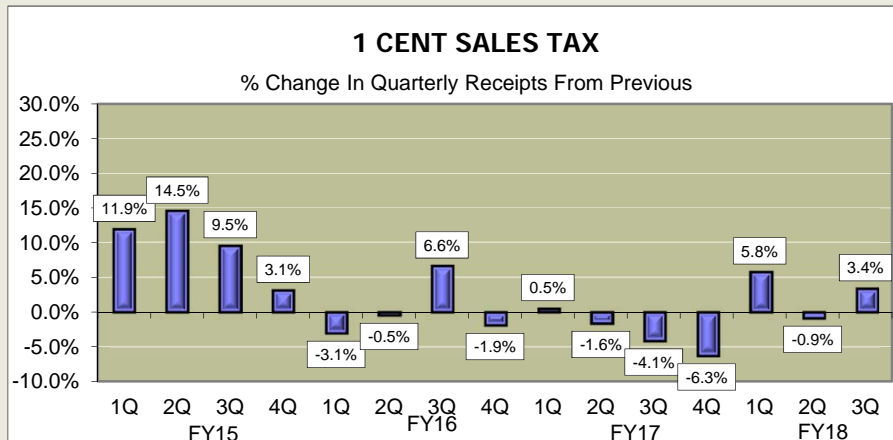
FY18 EARNINGS TAX REVENUES GROWTH LAGGING THRU 3RDQ; PAYROLL TAX FLAT; SALES TAXES RECOVERED TO NEAR BUDGET ESTIMATES; OVERALL RECEIPTS TRACKING UNDER BUDGET; 4THQ KEY; MAY NEED SUPPLEMENTAL APPROPRIATION BY YEAR END



Earnings Tax YTD **1.6%**



Payroll Tax YTD **0.4%**



Sales Tax YTD **2.3%**

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

MID-YEAR BUDGET GAP EST. @ \$14M; 3RD QUARTER REVISIONS & FINAL HEALTH & PENSION NUMBERS LEAVE BASE GAP BEFORE REDUCTIONS OF APPROX. \$10M+.

Beginning Revenue Base (rounded in mil. \$)	\$510.4 M
FY18 Adjustments	(5.5)
Refuse fee – full year	3.6
Net Growth FY19 @ 1.6%	8.0
FY19 Estimated Revenue	516.6 M
FY18 General Fund Budget Base	510.4 M
Plus Increases / (Decreases):	
Police – civilian pay increases; overtime, health insurance	5.7
- Police pension	(0.7)
Fire – SAFER grant expiration; civilian pay increases, health insurance	1.1
- Fire pension	(1.5)
Non-uniform pay increases, health insurance & pension	3.4
Lease/Debt Obligations:	
Justice Center lease	(5.7)
Scotttrade Center debt	1.5
Carnahan Courthouse debt – FY18 final year of savings from refinancing	0.8
State Audit - first year cost (?)	0.6
Workers & Unemp comp. (claims & higher admin.)	0.6
Personnel – increase for fire and police testing	0.6
City Counselor – increase in judgment costs	2.0
Forestry weed cutting	0.1
Bd. Of Elections – four citywide scheduled elections	1.1
Refuse Division - truck purchases / enforcement cameras / trash task force	3.2
Equipment Services – rising fuel and repair costs	0.5
Fund balance contribution @ 1.5% of pay	3.4
FY19 Base Budget	<u>\$526.5 M</u>
Preliminary Budget Balance / (Gap)	<u>(\$10.5) M</u>

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

TO BRIDGE GAP, THE FY2019 ANNUAL OPERATING PLAN CONTAINS A MIX OF BUDGET CUTS AND SPECIAL FUNDS REVENUE APPROPRIATIONS.

■ Budget Cuts:	\$5.4M	Includes cuts scattered across departments; Net reduction of 23 positions in general fund.
■ Special Fund Revenues:	\$5.1M	Portion of increase in use tax base (\$2.2M); gaming fund increase to Police and capital funds (\$1.1M); P.S. trust (\$0.3M); health benefits admin. balance (\$1.5M)
Total	<u>\$ 10.5M</u>	(All capital and use tax fund accounts fully allocated)

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

BUDGET CUTS & OTHER CHANGES ACROSS DEPARTMENTS:

General Govt. / Finance	(\$0.9M)	Mayors office down 3 vac pos.; Personnel 1 pos. to spec fund & continue to defer Fire and Police promo. testing (\$0.6M); Comptroller + 2 pos.
Parks, Recreation & Forestry	(\$0.3M)	Attrition & salary savings; no added cuts
Judicial Offices	(\$0.7M)	Circuit Courts net down 2 pos.; Circuit Atty. no. chg in no. of pos w/ some salary savings; Sheriff down 5 deputy pos; City court down 3 pos.
County Offices	\$0.0M	Med Examiner up \$50k; Recorder cut 1 position to offset increases
Streets	(\$0.0M)	Traffic LED lease offset with utility savings;
Public Safety	(\$1.1M)	Building Div. down 3 positions & misc. (\$200k); Neigh. Stab. Reorg. to 6 police districts; cut of 12 NSO positions & 1 supvr. (\$800k); Corrections lower census/net add for MSI cooling units (\$100k);

CITY OF ST. LOUIS
FY2019 Proposed Annual Operating Plan

BUDGET CUTS & OTHER CHANGES: (CONTINUED)

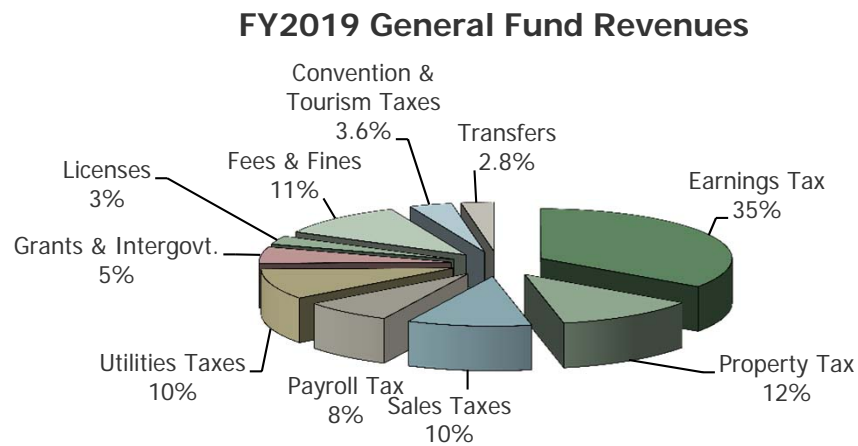
Public Safety (Police)	(\$2.4M)	Police – civilian and uniform attrition salary savings (\$2.35M – overtime offset?); Cut two vacant marshal positions (\$85k)
Board Of Public Service	(\$0.1M)	Facilities Mgmt down 1 position / other misc. cuts
Net Proposed Reduction	<hr/> (\$5.4M)	

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

GENERAL FUND REVENUE OUTLOOK:

(Rounded in Mil. \$)	Actual	Revised	Estimated	% CHG.
	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	
Earnings Tax	\$171.5	\$174.4	\$179.1	2.7%
Property Tax	58.9	61.4	62.3	1.5%
Sales Tax	52.1	53.3	53.9	1.0%
Payroll Tax	38.1	38.3	39.0	2.0%
Franchise (Utility) Taxes	49.7	53.3	51.4	-3.6%
Intergovernmental	27.8	25.3	27.4	8.1%
Licenses	14.4	13.9	14.1	1.1%
Departmental Fees and Fines	48.9	55.2	56.5	2.5%
Other	44.7	32.7	32.9	0.6%
	\$506.1	\$507.7	\$516.6	1.7%



Total General Fund Revenues = \$516.6 Million

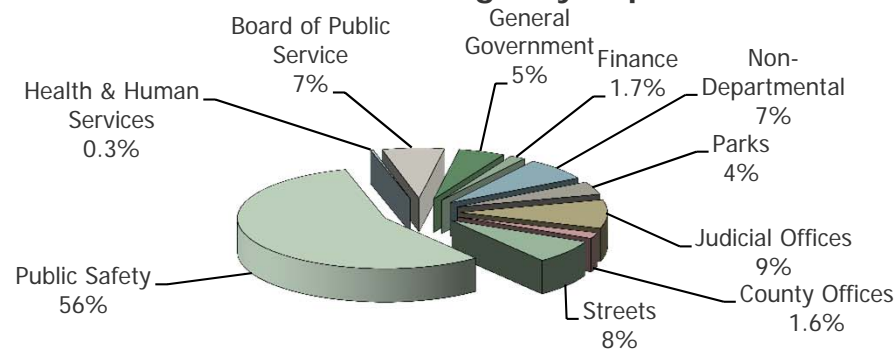
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

GENERAL FUND EXPENDITURE OUTLOOK:

(Rounded in Mil. \$)	Actual FY17	Budget FY18	Proposed FY19	% CHG.
General Government	21.9	\$24.1	\$26.4	9.2%
Finance	8.4	8.8	8.6	-1.2%
Non-Departmental	37.5	40.2	37.6	-6.5%
Parks, Recreation & Forestry	21.4	21.0	21.4	1.6%
Judicial Offices	45.7	46.8	47.1	-0.6%
County Offices	9.8	8.4	9.7	15.6%
Streets	36.4	37.9	39.0	7.6%
Public Safety	290.7	289.9	290.1	0.1%
Human Services	1.5	1.6	1.5	-2.0%
Board of Public Service	33.7	34.5	35.2	1.9%
	\$507.0	\$513.1	\$516.6	0.7%

FY2019 General Fund Budget by Department



Total General Fund Budget = \$516.6 Million

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

PROPOSED CHANGES IN SPECIAL FUNDS INCLUDE:

Local Use Tax

- o Up 23% YTD; incl. Econ. Dev sales tax rate and on-line sales; tracking at \$32.9M (over estimate) /FY19 est. @ \$33.7M (plus int. & \$450k bal.)

Affordable Housing - full allocation \$5M +\$500k increase (+ \$257k fund bal)	\$5.8M
Health Care Trust - full allocation	\$5.0M
Building Demolition - full allocation (\$2M over orig. FY18 budget)	\$3.0M
Excess Use Tax (Refuse \$0.7M/ Hous. Conserv. \$2.3M / Police \$9.9M (2.2M increase) / Health Div. \$7.2M / Human Srvc. \$0.4M)	\$20.5M
Total	\$34.3M

Economic Dev. Sales

- o Full year estimated receipts at \$20.6M; allocated per ordinance as follows:

Transit – 60%	\$12.36M
Neighborhood Stabilization – 10%	\$2.06M
Workforce Development - 10%	\$2.06M
Public Safety Infrastructure – 10%	\$2.06M
City Infrastructure - 10% (capital fund)	\$2.06M
Total	100%
	\$20.60M

Lead and Building Demo Funds

- o 60% of Certificate of inspection remains in general fund; Lead Fund balance est. @ approx. \$3.2M
- o Building demo and board up budgeted to receive \$500k from Use Tax Demo Fund to reduce deficit; neg. balance in \$1.1M range

Gaming Fund

- o Revenue up 13.8% through FY17 third quarter; reversing decline trend
- o FY19 Budget of \$7.4M; up \$1.1M for capital and police budget

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

PROPOSED CHANGES IN SPECIAL FUNDS INCLUDE:

½ Cent Public Safety Sales and Use Tax
"Prop P"

Sales Tax Revenue est. @ \$19.5M

Use Tax Revenue est. @ \$3.9M

Total Revenue \$23.4M

Amounts budgeted per Ordinance as Follows:

Sales Tax Portion

Police - 66% (\$6,000 pay inc. + benefits & pension)	\$12.825M
Fire Dept. - 28% (\$6,000 pay inc. + benefits & pension)	\$ 5.475M
Circuit Atty. - 6% (staff and raises)	\$ 1.200M
Total 100%	\$19.500M

Use Tax Portion

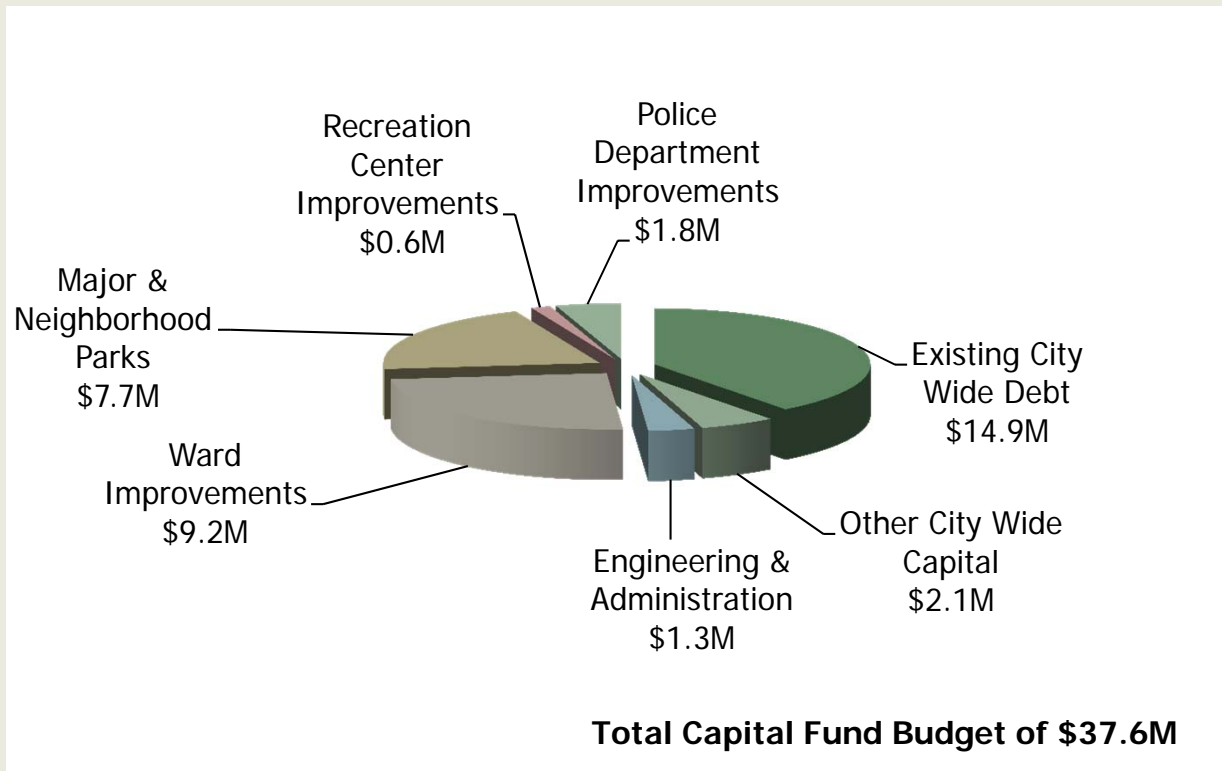
After School/Jobs - 25.0% (youth jobs \$275k /youth cadets \$700k)	\$0.975M
Circuit Attorney - 7.7% (staff and raises)	\$0.300M
Rec. Programs- 25.0% (11 recreation pos. + contractual programs)	\$0.975M
Building Demolition 17.3%	\$0.675M
Social Works/Mental Hlth. 25.0% (Hum. Srvcs. -2 pos. & contracts)	\$0.975M
Total 100%	\$3.900M

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

PROPOSED CAPITAL FUND BUDGET AT \$37.6M IS A DECREASE OF \$2.2M FROM PREVIOUS FISCAL YEAR.

- MOSTLY LOWER DUE TO DECLINE IN SCHEDULED DEBT PAYMENTS (E.G. JUSTICE CENTER LOWER; CARNAHAN COURTHOUSE HIGHER);
- ALL ½ CENT CAPITAL FUNDS FULLY ALLOCATED;
- OVER LONGER TERM CAPITAL INVESTMENT STILL LAGGING NEED (E.G. ROLLING STOCK, OTHER..)



CITY OF ST. LOUIS

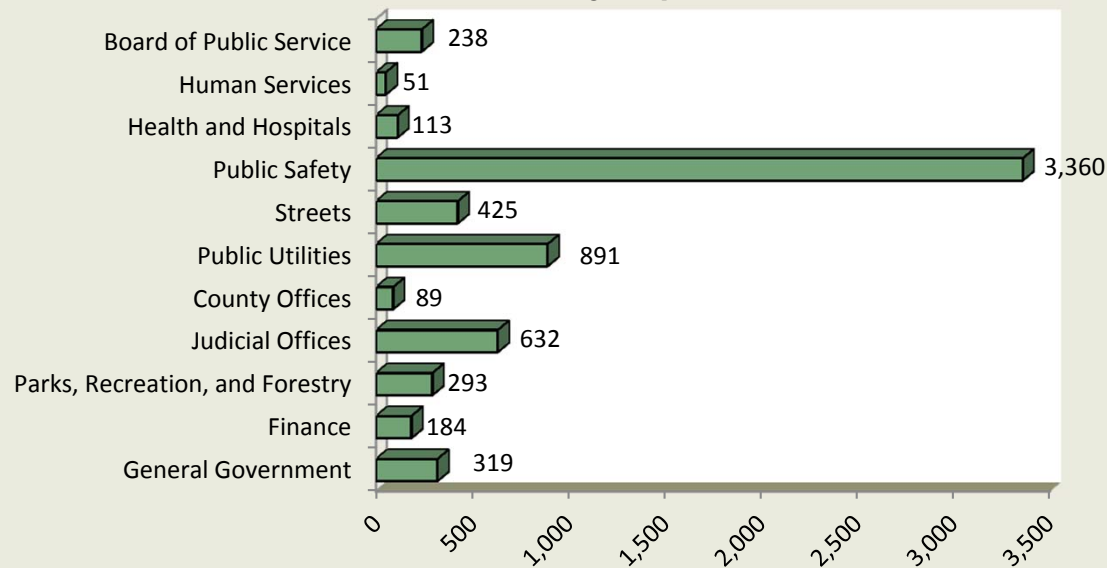
FY2019 Proposed Annual Operating Plan

TOTAL PERSONNEL CHANGES BY DEPARTMENT – ALL FUNDS:

Personnel Totals - All Funds

	FY18	FY19	Change
BY FUND			
General Fund	5,012	4,988	-23
Special Funds	452	475	23
Grant Funds	282	246	-36
Enterprise Funds	881	886	5
Totals	6,627	6,595	-32

FY19 Personnel Totals by Department All Funds



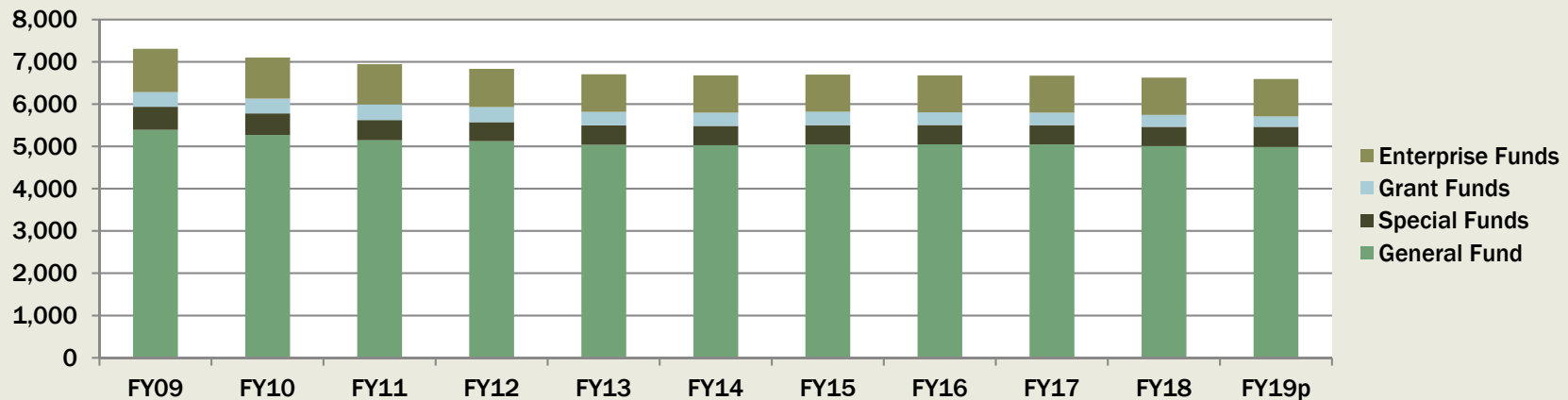
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

NUMBER OF PERSONNEL - LAST TEN FISCAL YEARS VS. FY19:

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	F17	FY18	FY19p	10Yr CHG
General Fund	5,393	5,270	5,147	5,127	5,040	5,028	5,043	5,050	5,045	5,012	4,988	-405
Special Funds	546	513	479	447	460	456	459	456	457	452	475	-71
Grant Funds	348	349	371	357	317	315	319	301	299	282	246	-102
Enterprise Funds	1,024	970	949	905	889	884	878	874	873	881	886	-138
	7,310	7,102	6,947	6,837	6,702	6,683	6,699	6,681	6,674	6,627	6,595	-715

CHANGES IN PERSONNEL TOTALS



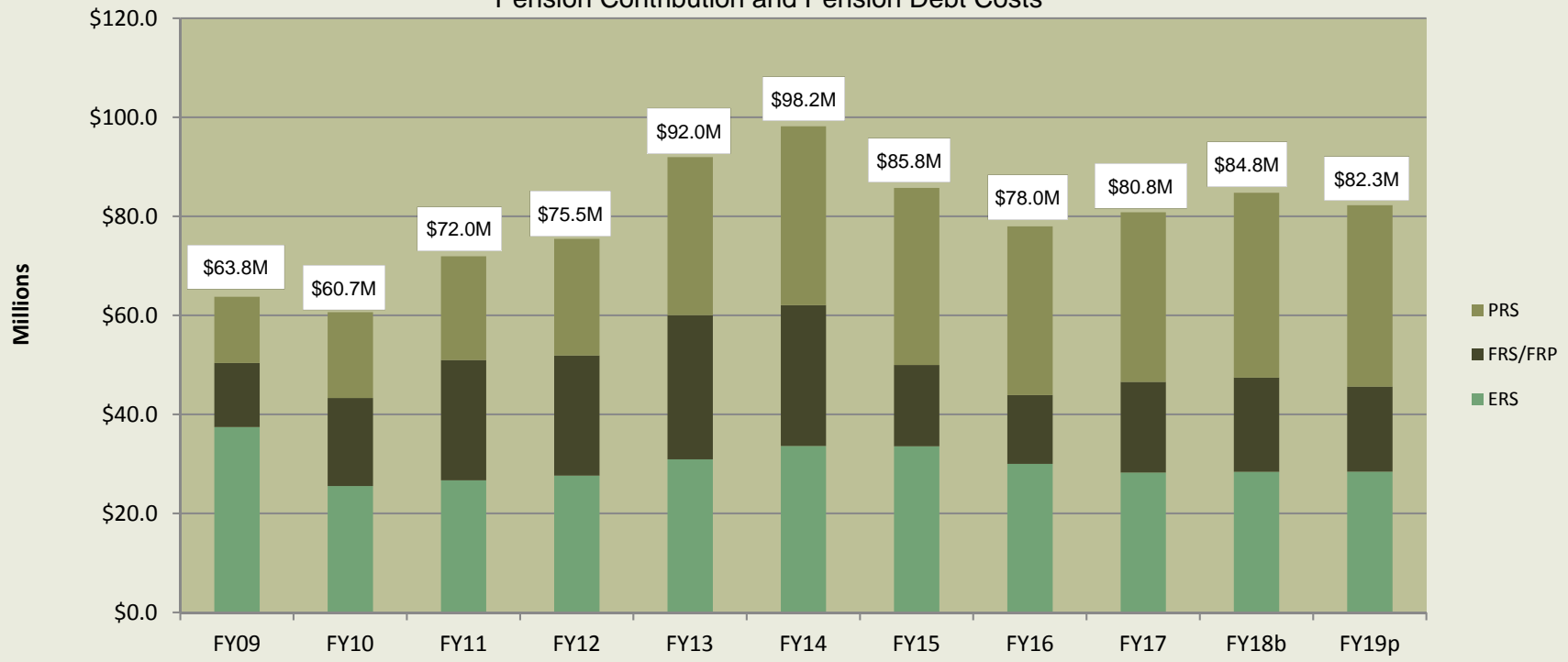
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

PENSION COSTS - FY19 TO SEE SLIGHT DROP IN COSTS
(EXCLUDING PENDING INCREASES PER PROP P)

CITY PENSION COSTS

Pension Contribution and Pension Debt Costs



City of St. Louis Budget Division

CITY OF ST. LOUIS FY2019 PROPOSED ANNUAL OPERATING PLAN

While funded ratios improve; about to enter 10th year of economic expansion with unfunded liabilities of \$436M. Cost per employee remains high.

Pension Funding Overview

	Employee Retirement		Fire Retirement			Police Retirement			
			FRS	FRP					
Valuations									
(as of 10/1/17)									
Assets - Market Value	\$816.9	M	\$483.6M	\$61.3M	M	\$709.2	M		
Assets - Actuarial Value	\$818.8	M	\$462.2M	\$60.0M	M	\$744.5	M		
Actuarial Accrued Liabilities	\$990.6	M	\$477.1M	\$100.0M	M	\$954.5	M		
Actuarial Unfunded Liability	\$171.8	M	\$14.8M	\$40.0M	M	\$209.9	M		
Funded Ratio - Actuarial Basis	82.7%		96.9%	60.0%		79.5%			
Funded Ratio - Market Basis	82.5%		101.4%	61.3%		80.1%			
Pension Costs									
	Total								
Employer Contribution	\$68.4	\$24.6	M	\$2.7M	\$8.0M	M	\$33.1	M	
Debt Service	\$13.6	\$3.9	M	\$6.5M	--	M	\$3.2	M	
Admin. (net reimbursement)	\$0.3	--		--	--	M	\$0.3	M	
Total	\$82.3	M	\$28.4	M	\$9.2 M	\$8.0 M	M	\$36.6	M
Active Membership									
Active		4,873			\$17.2 M	636		1,120	
Active In Drop		406				58		141	
Less Non-City		-860				--		--	
Less Depts. budgeted separately		-220				--		--	
Total Active		4,199		(FRS & FRP)		694		1,261	
Projected Pension Costs Per Active Participant		\$6,773				\$24,839		\$29,028	

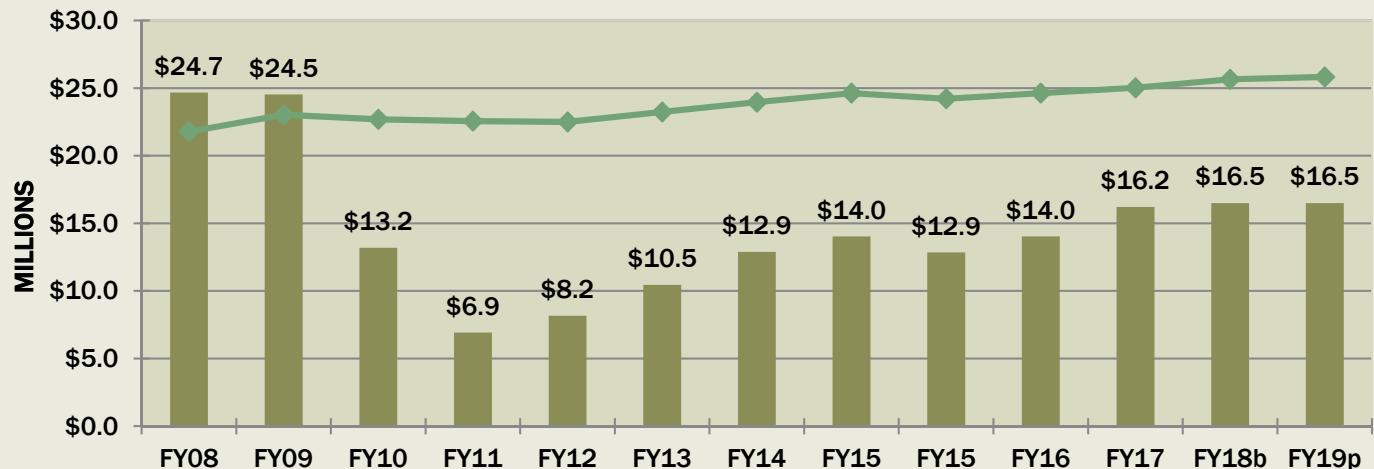
CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

THE IMPORTANCE OF FUND RESERVES

- o Sufficient reserve level necessary to weather economic downturns or sudden loss of revenue or increase in expenditures;
- o Current balance yet to return to pre-recession levels
- o Insufficient reserves often cited as weakness by rating agencies (impacts cost of debt)
- o Current minimum target of 5% of budget = \$25.8M (though 10% more likely the norm)
- o FY19 Budget proposes mechanism for funding annual contribution at 1.5% of salaries = \$3.4M
- o Recommend maintaining practice on annual basis until sufficient level reached

UNRESERVED GENERAL FUND BALANCES



Derived from Comptroller's Annual Reports -cash basis; FY18 b & FY19p

CITY OF ST. LOUIS

FY2019 Proposed Annual Operating Plan

RECAP:

- Total FY19 Budget of \$1,112.4M, a 5.1% increase from previous fiscal year
- Full year budgets for new funds; Economic Development ½ cent Sales tax and ½ cent Public Safety Sales & Use Tax (Prop P) with amounts allocated as specified per ordinance;
- Full allocations of Use tax funds for Affordable Housing (+\$500k) and Building Demolition; as well as Capital funds for Ward capital and rec centers
- General fund at \$516.6M, a 0.7% increase; includes funding for new initiatives (e.g. Refuse) but also proposes cuts and reorganization where possible to achieve savings, preserve core services and keep budget in balance
- Establishes annual mechanism for strengthening fund balance
- Continued Longer Term Challenges:
 - Entering 10th year of economic expansion; (next recession 1 year closer)
 - Strengthening revenue growth base / reserves
 - Continuing pension reforms
 - Financing of Capital needs (e.g. August G.O. bond issue / other sources of capital?)