



**EXECUTIVE SUMMARY  
FY2012 ANNUAL OPERATING PLAN**

*Each annual operating plan has as its primary task the charge of allocating resources in a manner that furthers City government's mission namely to provide safe neighborhoods, attractive parks and recreation, affordable housing, efficient transportation, a citizenry of good health and well being, a vibrant and diverse economy and an effective and efficient government.*

The proposed FY2012 Annual Operating Plan continues the efforts of recent fiscal years in coping with the after effects of the previous recession and slow economic recovery. In the past fiscal year, these efforts have included reducing expenditures in most departments, pursuing new ways of delivering City services, implementing a number of new fees as funding for services and deferring certain investments in capital improvement expenditures. The basic premise behind these efforts has been to achieve a budget that remains both balanced and sustainable while continuing to provide the core City services that are expected by City residents, visitors and businesses alike. While the economic indicators have improved in the past twelve months, the turnaround has been slower than in previous recovery periods and unemployment in particular remains stubbornly high. So while major City tax revenues have seen a return to growth in the past fiscal year, this growth continues to remain at a restrained pace. On the expenditure side, the City will continue efforts to contain payroll costs particularly in regard to employee pensions and at the same time will need to address some increases in commodity costs used to support City services such as fuel and street maintenance supplies. The overall budget will again see a reduction in the total City workforce as it addresses these issues and continues to meet all of its fixed obligations.

<b>FY2012 Budget:</b>		
	<u><b>FY11</b></u>	<u><b>FY12p</b></u>
<b>General Fund</b>	<b>\$451.2M</b>	<b>\$450.0M</b>
<b>Special Revenue &amp; Other Funds</b>	<b>266.5M</b>	<b>263.6M</b>
<b>Enterprise Funds</b>	<b><u>220.0M</u></b>	<b><u>224.0M</u></b>
<b>Total</b>	<b>\$937.6M</b>	<b>\$937.6M</b>

In meeting these objectives, the FY2012 Annual Operating Plan allocates a total of \$937.6M in all funds combined. This total is practically flat from the previous fiscal year. The City's general fund, which at a proposed \$450.0M remains the largest component of the budget providing the bulk of City services, will see a slight decline of about \$1.2M or just under one half of one percent compared to the previous year. The proposed FY2012 budget contains additional reductions of 125 positions in total, including a net 60 positions from the General Fund.



## REDUCING EXPENDITURES AND FINDING NEW WAYS TO DELIVER CITY SERVICES

### Safe Neighborhoods

The total FY2012 budget for the Police Department excluding grants but including pension costs is \$163.7M. This makes the Police Department second only to the Airport in size as a component unit of the budget. The largest increase in Police costs over the last several years has been pension costs which are rising another \$2.5M in FY2012. Combined with sluggish revenue growth, the Department has been challenged to find ways to offset cost increases without diminishing the uniformed police presence on the street. Through a number of these efforts combined with continued assistance from the American Recovery and Reinvestment Act (ARRA) grant, the number of authorized uniformed officers will remain unchanged at 1,345 in FY2012. Efforts over the past year to identify areas of potential savings from consolidating certain administrative services with the City will continue.

The City Fire Department faced an even greater challenge in the current fiscal year as pension costs increased \$6.5M in FY2011 and were expected to rise another \$5.2M in FY2012 bringing the total Fire Department budget to \$73.2M. Over the past fiscal year, through reductions in holidays and changes in scheduling the Fire Department has reduced its staffing requirements to 586 uniformed firefighters. Achieving these savings through attrition, (typically 1 per every two weeks) however, has been a slow process and as a result has led to overspending by the department. In the third quarter of FY2011, a reduction through layoff of an additional 30 firefighters was deemed necessary to curtail the overspending. The City received a Staffing for Adequate and Emergency Response (SAFER) grant to assist with the funding of these laid off positions in FY2012. There was a proposal before the state legislature that would allow for the Fire Retirement system to switch methodologies in valuing its current retirement system. The method, known as Entry Age Normal (EAN), would reduce the FY2012 overall contribution to FRS by \$5.8M of which \$5.2M is the general fund portion. Of this \$5.2M amount, \$3.8M had been utilized in the FY2012 budget to keep overall costs of the Fire Department from increasing while the remaining \$1.4M will remain appropriated if needed as payment to the Fire Retirement system. In the event the legislation did not pass, the difference was to be paid to FRS over a 5 year period. As it turned out, the legislation was not adopted thus triggering the 5 year agreement. It is important to note however, that although the EAN method is a more common method for pension valuations, this proposed switch in valuation method does not produce actual cost savings as the City's contributions will increase in the future and pension changes that produce real cost reductions will still be necessary to bring pension costs down to more sustainable levels. In other areas of the Department of Public Safety, the Division of Corrections has seen its inmate population stabilize to approximately 1,400 inmates at both the MSI and the City Justice Center combined. Efforts to control the level of non-violent offenders



through alternative sentencing and the use of electronic monitoring will continue to be explored as a potential means to reducing costs.

**Attractive Parks and Recreation**

Operation of the City's new recreation center on the City's south side continues to exceed expectations. A City owned facility, it is operated through a management agreement with the YMCA. Meanwhile, construction of a second recreation center on the City's north side has begun and is anticipated to be completed in February, 2012. Both projects were made possible through the 1/8 cent sales tax for local parks funds which provides the funds for financing the debt issued to build the centers. Elsewhere in the Parks Department and despite limited funding, the Parks Division will continue to maintain a two week cutting cycle for its seasonal turf maintenance crews during the crucial portions of the growing season and the Forestry Division which services vacant lots and buildings will maintain its goal of 4 vacant building and 8 vacant lot rotations from April to September to ensure both the appearance and desirability of these properties throughout the City. An increase of approximately \$200,000 in per performance seasonal employee salaries to support 8 additional two-person trim crews will allow Forestry to address increased demand for trimming in vacant lots.

**Affordable Housing**

As in the previous fiscal year, the FY2012 budget proposes an Affordable Housing Commission allocation of \$4.0M. This is \$1M less than the normal allocation. It is proposed that these funds would be made available for helping meet revenue shortfalls in the Local Use Tax Fund. The allocation for Building Demolition is likewise reduced by \$1.5M which will also be made available to assist with the budget gap. The reduction in available housing funds is to be targeted toward those funds typically allocated for development as opposed to social services networks. These funds will also continue to be supplemented with community development block grant funds that will be awarded and appropriated later in the fiscal year.

**Efficient Transportation**

With the assistance of federal grant funding, work on major street and bridge improvements will continue on projects such as the Tucker Street Bridge replacement and the Grand Avenue viaduct between I-64 and Chouteau. The Grand Avenue Bridge was closed to traffic in March, 2011 as part of a \$22M project to remove and replace the bridge and is expected to be closed for up to 14 months. The entire project is expected to take up to two years to complete. In the Street Division, due to heavy snowfalls in the past winter season a total of \$875,000, an increase of \$590,000 is being allocated to replenish approximately 17,500 tons of salt for the next fiscal year. Also within the Department of Streets, the Refuse Division, helped in part by the implementation of a new refuse collection fee implemented in FY2011, distributed nearly 2,900 new blue



recycling bins and 4,000 roll out carts for recycling throughout City neighborhoods. An additional \$3.0M will be allocated to complete this effort in FY2012. In addition to the positive environmental impacts of recycling, the cost of landfill disposal declines with every ton of waste that is recycled and removed from the City's waste stream.

### **Citizenry of Good Health and Well Being**

The City's Department of Health and Hospitals implemented a number of new initiatives in the past year designed to both improve services and reduce costs without impairing the ability to provide core health services. The Animal Regulation section will continue its partnership with Stray Rescue and Animal House for adoption of stray animals and a reduction in the euthanization rate in the City. The Health Division has also implemented new food inspection ordinances which have been expanded to include groceries to reduce the risk of food borne ailments and new air pollution ordinances in order to maintain state and local monitoring agreements. In the area of Communicable Disease control, the Health Division having conducted over 5,000 HIV/STD tests in outreach settings in the past year, will work to expand the education campaign to such areas as beauty and barber shops so that testing for communicable diseases can be extended even further to at risk populations. The Department will also continue general public health efforts such as the "Smoke Free St. Louis Kids" project which was the recent beneficiary of a grant from the Missouri Foundation for Health Tobacco Prevention and Control project.

### **Vibrant and Diverse Economy**

Economic development remains a crucial element in securing the jobs and business investment necessary to sustain a stable and diverse revenue base. Although much of the surge in development projects over the past decade has slowed in recent years, some significant developments are continuing and moving toward completion. The local development agency, SLDC, continues to be successful in securing funds and incentives that stimulate businesses and real estate development and job creation. Four major downtown mixed-use projects, the Laurel, 600 Washington, Seventh Street Garage and The Park Pacific are scheduled for completion in the coming months. Totalling \$350M in investments, these projects will result in 420,000 square feet of office space, 165,000 square feet of retail space, 437 residential units and 212 hotel rooms being renovated or added in the heart of the City. In addition, two major cultural centers, the Peabody Opera House and the Central Library are in the process of being renovated at a combined cost of \$158M. In addition, Proctor and Gamble is expanding its manufacturing plant on the north side of the City, Washington University is completing construction of its new school of engineering and Barnes-Jewish Hospital is continuing the expansion of its campus with the construction of an 11-story health clinic. All of this economic development will be supported and enhanced by two major infrastructure projects: the soon to be completed \$34M rebuild of the Tucker Avenue bridge and the construction of the new \$667M Mississippi River Bridge.



### **Effective and Efficient Government**

The effort to provide services both effectively and efficiently is intensified when operating in an environment of tight budgetary constraints. The FY2012 Annual Operating Plan includes a number of initiatives to address the costs of government.

### **Employee Pay and Benefits**

As in the two previous fiscal years, the proposed FY2012 Annual Operating Plan assumes no increases in City employee salaries. Furthermore, in order to offset the cost of increases in employee pension and health insurance costs, most department budgets include a salary savings reduction equal to 3.5% of payroll. This salary savings amount, including fringe benefits, totals \$4.4M in all funds. Of this, \$4.0M is included in the general fund. In the current fiscal year, employee furloughs equivalent to five days for general employees and ten days for management were implemented as part of the effort to meet this amount. The method for achieving these savings in FY2012 will be determined through pay negotiations.

### **Other Budget Items**

Most administrative offices in City government will see continue to see budget and staff reductions. General Government and Finance offices which include offices such as the Board of Aldermen, Mayor, Personnel, City Counselor and Comptroller will contain 16 fewer positions and see a reduction of approximately \$800,000 in funding. One of the larger reductions in this area is the City's sewer bill paid through the Comptroller's office which is anticipated to decline \$350,000. In FY12, the costs of the Election Board are budgeted to decline by \$700,000 as a result of having only one election, a presidential primary, scheduled in the fiscal year.

The City's Equipment Services Division of the Board of Public Service purchases approximately 1.3M gallons of fuel annually to keep City service vehicles running. The rising cost of fuel in the past year along with the continued deferral of equipment replacement and resulting need for repair has led to increases in costs of these support services. The Equipment Services Division budget will rise \$1.3M in FY12 to address these increased fuel and equipment repair costs.

### **NEW REVENUES AND SERVICE FEES**

Part of the effort to bolster City revenues and maintain a balanced budget has involved a review of the City's fee structure and imposing fees where appropriate to recoup the cost of providing a service or adjusting fees which have not been adjusted for some time. A number of such fees were initiated in FY11 and will continue to provide revenues in FY12 and beyond.

**Refuse Collection**

Unlike many municipalities, the City of St. Louis had not charged a service fee for refuse collection. The City provided twice weekly refuse pick-up, a once per week collection of yard waste, a once per month collection of bulk waste and the opportunity for additional trash disposal at the City's refuse transfer station. In FY2011, the City began imposing a collection fee of \$11 per month to recoup the cost of these services as well as provide funds for an additional \$3M program for Citywide recycling and collection enforcement. The fee is expected to generate an estimated \$10.6M in the current fiscal year and \$12.6M in FY12, the first full year of implementation. After allowing for the costs of the new recycling effort, a total in excess of \$9M will have been provided to offset the costs of collection and disposal of municipal waste.

**Other Service Fees**

Aside from Refuse, a number of other departments have either imposed new fees or updated existing fees in the past year. The City's Health Division has offset reductions in state funding for its Air Pollution monitoring program with inspection fees that are anticipated to provide over \$200,000 toward the cost of these services. Likewise, the food control section of the Health Division has implemented new codes regarding inspections and in the current fiscal year is expected to offset costs with an additional \$600,000 in fee revenue. Additional fee revenues from street blocking permits of the Street Department and excise fees from the Excise Division have generated an additional \$300,000 in the past fiscal year and these new sources of funds will continue in FY2012.

**SPECIAL REVENUE REALLOCATIONS**

Despite some anticipated revenue growth in FY2012 and in addition to the expenditure reductions and new revenues already described, the FY2012 Annual Operating Plan will continue to rely on the reallocation of a number of existing special revenues to offset the budget gap. In many instances, special funds are dedicated to supplement existing general fund services and so faced with a decline in these services, the reallocation of the supplemental revenues becomes a necessity. As in the past fiscal year, some of these reallocations, such as deferral of capital expenditures are intended to be temporary in nature while others may be more long term depending on fiscal circumstances.

**Reallocation of Capital Fund Revenues**

In the Capital Fund, the ½ cent sales for capital improvements is allocated by ordinance; 50% to Wards, 17% to Major Parks, 10% to Police, 3% to Recreation and 20% to Citywide projects. With only 20% for Citywide projects, the City's general fund contributes to the Capital Fund to meet the remaining balance of debt service obligations on City facilities and equipment. Of the ½ cent capital accounts, both the Citywide and Police



accounts, as well as most of the Forest Park sub-account are restricted by fixed debt service commitments. In FY2011, an effective 25% of the ½ cent ward allocations and the remaining parks and recreation 1/2 cent allocations were reallocated to the Citywide account to offset the general fund's capital obligations. The proposed FY2012 annual operating plan will continue this reallocation of capital funds. The remaining ward account allocation will total \$5.8M which despite the reallocation is an increase of approximately \$450,000 over the current fiscal year.

### **Reallocation of Affordable Housing and Building Demolition Funds**

As previously discussed, the FY2012 budget proposes an Affordable Housing Commission allocation of \$4.0M or \$1M less than the normal allocation. These funds will be made available for helping meet previous revenue shortfalls in the Local Use Tax Fund. Similarly, the allocation for Building Demolition is proposed at \$1.5M, a reduction of \$1.5M from the normal allocation which will also be made available to assist with the budget gap. The reduction in available housing funds is to be targeted toward those funds typically allocated for development as opposed to social services networks. These funds will also continue to be supplemented with community development block grant funds that will be awarded and appropriated later in the fiscal year.

### **Other Fund Reallocations**

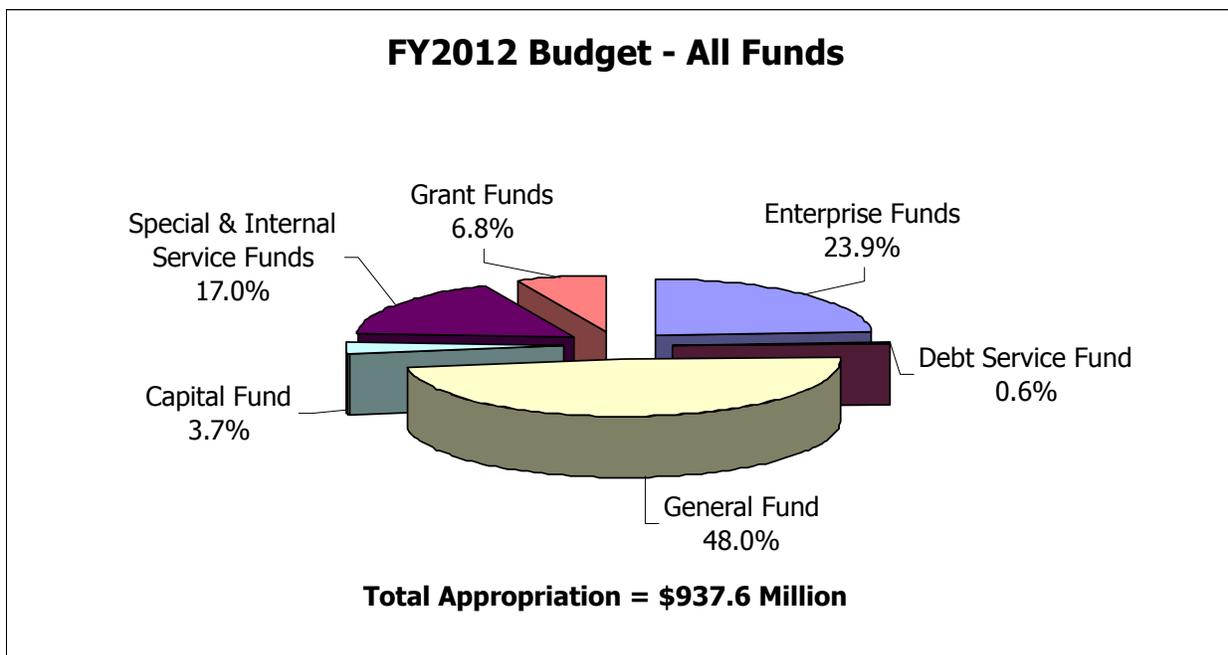
While Forest Park capital funds were spared any reductions, the general fund currently pays for utility costs of facilities in the park in the amount of \$590,000. It is proposed that the Forest Park Fund, which is funded with concessions and other revenues generated in the park will continue to assume these costs. In FY11, \$500,000 in crime prevention funds from the ½ Cent Public Safety Sales Tax was utilized to support city recreation programs in lieu of charging new recreation fees. In FY12, this will continue albeit at a smaller amount of \$200,000.

While some of these reallocations which were initiated in FY11 and continued in FY12 may be temporary in nature, other steps taken in this FY2012 Annual Operating Plan, including the proposed expenditure reductions in many areas of City government, new and improved ways to deliver certain City services coupled with new sources of revenue will remain essential components of ensuring sustainable and balanced budgets into the future.



**FUND GROUPS**

The total recommended budget for FY2012 is \$937.6M and is funded by a combination of local tax and fee collections, dedicated funds for enterprise functions and project specific grants. The vast majority of local taxes and fees collected are used in support of general fund activities. The remaining local collections are deposited in special accounts due to legal requirements and are used to augment the services provided by the general fund. These special funds include those containing Local Use Tax proceeds, revenues from gaming operations, the cable television gross receipts tax, the state subsidy for property tax assessment, building demolition, lead abatement and other special funds. In the budget, these amounts are further broken down by departmental activities using specific projects and accounts, with appropriate distinctions being made between operating and capital expenditures.



**GENERAL FUND OPERATIONS**

The general fund budget, in combination with a variety of special funds, supports those recurring activities necessary for the operation of City government. These activities are supported by a combination of revenues derived from taxes, fees, fines and intergovernmental transfer payments. At \$450.0M, the FY2012 general fund budget is the largest of the City funding units. Of this total, the largest allocation under the general fund is for public safety at \$253.3M. Police services including police pension costs amount to \$144.1M. The remaining public safety allocation from the general fund provides for fire protection, pre-trial inmate housing, emergency medical services and various permitting, inspection and neighborhoods stabilization activities. The general fund budget also funds the majority of park and recreation operations at \$19.5M, streets, traffic and refuse collection at \$34M, and general government and finance operations at \$28.2M. Functioning as both a City and County the general fund also includes appropriations for the 22<sup>nd</sup> judicial circuit of Missouri and a number of county office functions for \$52.9M. Debt service payments for large projects funded through lease arrangements are included in the general fund allocation in the amount of \$26.6M. Lease debt payments in FY2012 include the annual lease payments on the Scottrade Center debt and the Convention Center / Stadium and City Justice Center complexes. The remainder of the general fund budget can be categorized as paying for public service engineering services, maintenance and operations of public buildings, and fleet services.

**SPECIAL FUND OPERATIONS****Federal and State Grants**

The largest category of special funds is grant funds secured from agencies at both the State and Federal level. These funds are included in the proposed budget in the amount of \$63.25M a 1.9% increase from the current year. The largest portion of these grant funds are dedicated to health programs and social service programs administered by the Department of Health and the Department of Human Services respectively. In FY2012, the Department of Human Services will administer a total of \$15.6M in grants related to services for the aging as well as HUD programs to end chronic homelessness. Combined with existing health grants, a total of \$30.9M in grant funds will be allocated for use by these two departments. Previously approved federal stimulus grants included funds for COPS grants for maintaining uniformed Police officer strength as well as juvenile accountability grants (JAG) for other program specific public safety efforts. Public Safety grants are estimated to total \$13.2M in FY2012 including the previously discussed SAFER grant for supporting firefighter staffing. The remaining grant funds support the City's efforts in the provision of job training services through the St. Louis Agency for Training and Employment and provide administrative support for the Law Department and the Community Development Agency.



### **OTHER SPECIAL REVENUE FUNDS**

The remaining special fund allocations in the budget come from revenues which are legally required to be accounted for separately from the general fund. This category includes the funds such as the 1/2 Cent Public Safety Sales Tax Fund, and the Employee Pension Trust Fund. Other funds include the Local Use Tax Fund which provides approximately \$27M on an annual basis. Programs funded by the Local Use Tax include public health care services, building demolition, affordable housing development, police services, and neighborhood preservation efforts. In FY2012, this budget will also allocate \$11.1M from gaming operations which will be used for capital improvements and enhancing the safety of the public visiting the riverfront. Special revenue funds also allocated in this budget include the Convention and Tourism fund, Assessment Fund, Communications Fund and other miscellaneous special funds for demolition of condemned buildings, and repair of sewer lines.

### **Debt Service Fund**

The budget allocates \$5.7M in debt service payments on the City's outstanding general obligation debt. At the end of the current fiscal year, the City will have just under \$43M in general obligation debt outstanding. This outstanding debt relates to issues in 1999 for public safety building improvements and fire engine fleet replacements as well as an additional issue in 2006 targeted for financing matching grants for street and bridge projects as well as floodwall repairs and for public safety communications systems.

### **Capital Improvements Fund**

The Capital Improvements Fund budget allocates \$34.9M in funds dedicated to equipment purchases and capital improvements. The sources of capital funds include a dedicated 1/2 cent sales tax, a portion of a 1/10 cent sales tax dedicated to Metro Parks, a portion of the state gasoline tax, gaming admissions receipts, and proceeds from sales of City assets. The Capital Fund budget of \$34.9M, while continuing to defer some capital projects still reflects an increase \$6.3M from the previous year with the majority of these funds allocated toward payments on a variety of lease debt agreements. The capital budget includes a reallocation of \$3.4M in 1/2 cent sales tax funds to offset general fund debt payments on various existing City facilities and will see a modest increase of approximately \$160,000 in sales tax receipts. The Capital Fund budget does provide approximately \$500,000 for an estimated first year payment on a lease purchase of up to \$10M to renovate space at the municipal building at 1520 Market in anticipation of the relocation of SLDC and for other repairs and improvements at this facility.

### **Enterprise Fund Operations**

The City's Water Division and the Airport are operated as enterprise funds in that expenditures related to operations of these departments are funded through revenues generated from their operations. In FY2012,



the budgets for these two departments will total \$52.7M and \$171.3M respectively. The Water Division receives its income from the sale of water to residents of the City and recently from the sale of water to other municipalities in the metropolitan area. Approximately 8% of the Water Division's budget or \$4.4M is devoted to retirement of revenue bonds issued for capital improvements to the divisions' two treatment facilities and an upgrade of the supporting infrastructure. With a budget of \$171.3M, the Airport is the City's largest cost center and is supported entirely by user fees paid by airlines and concessionaires, along with federal funds. Approximately 46% of the airport's budget is devoted to debt service payments on revenue bonds for Airport expansion and to facilitate repair and maintenance of the runways and terminals. The remaining budget amounts provide for the administration and daily operations of both the Airport and Water Division.

**Internal Service Funds**

The City's internal service funds are funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies. These include the City's mailroom and employee health benefits fund. Appropriations for these funds total \$0.8M and \$39.8M respectively.

**SUMMARY**

In summary, the total budget appropriation for FY2012 is \$937.6M or nearly flat with the previous fiscal year. The General Fund which serves as the main operating fund for funding major City services totals \$450.0M. This represents about 48% of the total amount or just under half of the total budget. City general funds are supplemented by a total of \$63.2M in grants from State and Federal Sources. The remainder of the budget comes from a variety of special and enterprise funds maintained by the City in compliance with specific ordinances or agreements. The FY2012 Annual Operating Plan reflects a third successive year of budget reductions and initiatives geared toward maintaining a balanced budget in a difficult economic environment. As in the previous year, these initiatives have included cost reductions across most departments of City government, new and improved ways of delivering City services, new revenue proposals as well as reallocations of existing sources of revenue. In continuing these steps, the FY2012 Annual Operating Plan is emphasizing the preservation of core City services deemed most essential to residents, visitors and businesses alike and that the City's mission of pursuing and ensuring a high quality of life remains sustainable in the years to come.



**FY2012 Annual Operating Plan Highlights**

- \$4.4M in salary savings equivalent to 3.5% of salary costs to offset general and other fund employee pension and payroll cost increases.
- \$1.6M in proceeds from the first year of a two year \$3.2M Fire Dept. SAFER grant for funding 29 firefighter positions
- Police to maintain 1,345 authorized uniform officer total while offsetting \$2.5M increase in pension costs
- \$3.8M from proposed change in Fire Retirement valuation method used to offset increase in City contributions
- \$700,000 reduction in costs of the Election Board to meet reduced schedule of only one election, a presidential primary, in the next fiscal year
- \$590,000 increase in Street Division budget to replenish road salt supply after harsh winter
- \$350,000 reduction in projected sewer fee costs paid thru the Comptrollers Office
- \$1.3M increase to meet rising fuel and vehicle repair costs of the Equipment Services Division
- \$250,000 reduction in subsidy of Assessor's office
- \$2.8M allocated for 2<sup>nd</sup> year of expanded recycling and enforcement programs of the Refuse Division
- \$3.4M in reallocated ½ cent capital revenues to offset citywide capital debt service costs
- \$3.2M in capital revenues to be derived from sale of municipal building at 634 N. Grand
- \$1M in Affordable Housing and \$1.5 in Building Demolition funds reallocated to offset Local Use Tax shortfalls
- \$4.9M in operational cost reductions at the City Water Division
- \$300,000 reduction in Local Use tax funded positions in the Health Dept.
- \$280,000 in first year debt costs for improvements to 1520 Market building in anticipation of move of development agency
- Net decrease of 125 positions in all funds



## BUDGET FORMAT

The remainder of this budget document is divided into the following sections:

**Budget Overview:** This section provides a more detailed discussion of the City's projected revenues and expenditures. The discussion includes an overall economic outlook for the City and includes summary tables illustrating projected revenues and appropriations for all funds. Also included is information regarding the City budget process, vision and goals.

**Department and Program Budgets:** This section is divided by major City departments. Each department begins with a summary of budget statistics and is followed by division and program budgets within each department.

The division and program budgets are presented in a format that contains narrative information about respective programs and identifies outputs and projected performance levels.

**Capital Improvements:** The City's FY2012 Capital Budget and Capital Improvement Plan are presented in this section. A detailed discussion of the five-year plan and description for each capital project are being submitted under a separate cover.

**Appendix:** The appendix includes supplemental information about the City and its budget including debt issues, trends in personnel, etc. A glossary of key terms and acronyms is provided for the convenience of readers. Also included are selected demographic, social and economic statistics and indicators.



**BUDGET OVERVIEW**

**FY2012 ANNUAL OPERATING PLAN**

This section presents summary information on the FY2012 Annual Operating Plan for the City of St. Louis. The discussion that follows describes the economic outlook for the City and region in the context of both the national and state perspective and presents a comprehensive review of the general operating fund budget as well as for enterprise and special revenue funds. Also presented in this section are summary tables of sources and uses of funds for all fund groups and descriptions of the major sources of revenue for FY2012.

**ECONOMIC OUTLOOK**

**U. S. Economic Outlook**

The U.S. Bureau of Economic Analysis reported an increase in the annual rate of growth of the real gross domestic product of 3.1% in the fourth quarter of 2010. This continues a series of recent reports indicating growth in the national economy, albeit at a pace slower than most given the severity of the latest recession. Likewise, the Bureau of Labor Statistics reported that non-farm payroll employment increased by 216,000 jobs in March, 2011, and that the national unemployment rate has slowly declined to 8.8% following a year or more of rates approaching double digits. Most recent growth in economic activity has been attributed to positive

<b>Key Economic Indicators</b>	
<b>Change in U.S. GDP 4<sup>th</sup>Q'10</b>	<b>+3.1%</b>
<b>Change in CPI 12 mos. ending February, +2.1%</b>	<b>2011</b>
<b>Unemployment</b>	
<b>U.S. (Mar'11)</b>	<b>8.8%</b>
<b>Missouri (Feb'11p)</b>	<b>9.4%</b>
<b>City (Feb'11p)</b>	<b>11.4%</b>
Source: U.S. Bureau of Labor Statistics	

growth in personal consumption expenditures which is being offset in part by reductions in spending by state and local governments. While reports of consumer price increases over the past twelve months remain at a modest 2.1% pace, there are rising concerns that increases in commodity prices, particularly oil and gas, will have the potential to put a damper on consumer spending. The Vice Chair of the Federal Reserve recently expressed the sentiment that the recent increase in commodity prices is not expected to have a

persistent effect on the inflation rate nor be sufficient to threaten the economic recovery. However, the current policy of low interest rates to boost economic activity could be affected should inflation continue to be a threat.

Despite these concerns, recent blue chip consensus forecasts of the national economy cite real GDP growth of 3.2% in 2011 and slightly higher 3.3% growth in 2012.



### **Missouri Economic Outlook**

The State of Missouri reported losing a total of 153,800 jobs since the last peak in employment was reached in January, 2008, however consistent with the national trend has seen recent declines in new claims for unemployment. The Bureau of Labor Statistics reports the state's unemployment rate for February, 2011 remains high at 9.4% down only slightly from the peak it reached in the summer of 2009 and higher than the national rate which for February was 8.9%. Despite the weak labor market, personal income was reported to be showing gains near the end of 2010 and there was healthy growth in export activity. Economic activity for the state is projected to increase steadily over the next eighteen months with slow but steady improvement in job growth over the period.

### **City of St. Louis as Economic Center**

The City of St. Louis is at the core of an eleven county metropolitan area covering parts of both Missouri and Illinois, and as such is the employment and entertainment center of an area containing a population of 2.7M residents. It is also the office center of the region with over 24 million square feet of office space. The metropolitan area and the City are major industrial centers in the Eastern Missouri – Southwestern Illinois area with a broad range of industries. Although the distribution of jobs across industry sectors has resulted in a decline in the City's share, the City remains a significant source of employment in the region with nearly 20% of all the jobs. In spite of the economic climate, new investment is still occurring in the City.

Four major downtown mixed-use projects – The Laurel, 600 Washington, Seventh Street Garage, and The Park Pacific – are scheduled for completion in the coming months. These projects total \$350M worth of investment and will result in 420,000 sq. ft. of office space, 165,000 sq. ft. of retail space, 437 residential units, and 212 hotel rooms being renovated or added in the heart of the city. These key projects are expected to create or retain over 1,700 jobs. In addition, two major cultural centers – the Peabody Opera House and the Central Library – are in the process of being renovated at a combined cost of \$158M. Investment is occurring in the industrial and institutional sectors as well. Procter & Gamble is planning a \$150M expansion of their manufacturing plant on the north side of the City, Washington University is completing construction of its new school of engineering, and Barnes-Jewish Hospital is continuing the expansion of its campus with the construction of an 11-story public health clinic. All of this economic development will be supported and enhanced by two major infrastructure projects: the soon to be completed \$34M rebuild of the Tucker Avenue bridge and the construction of the new \$667M Mississippi River Bridge.



### **City Economic Outlook**

The April, 2011 report of the St. Louis Federal Reserve indicated continued modest economic expansion in the region in recent months with increases in manufacturing activity as well as the service sector although at a slower pace than in previous reports. Both home sales and residential construction has continued to decline with home sales in the St. Louis region in February, 2011 declining 8% from the same period a year ago. The unemployment rate in the City as reported by the Bureau of Labor Statistics was at a seasonally unadjusted 11.4% in February, 2011 or not much lower than the same time a year ago. While the rate of unemployment has shown only minor improvement in recent months it is anticipated to decline slowly as the national job picture improves. Retail sales as indicated by sales tax receipts reversed a decline of ten successive quarters in mid 2010 and are up slightly for the fiscal year and payroll spending, despite the weak employment picture have shown positive gains of over 2% through the third quarter of FY11. While prospects for the economic recovery continue to improve, the continued high rate of unemployment and sluggish growth in the housing and commercial real estate markets will remain as constraints on overall growth in the coming fiscal year.

## **GENERAL FUND OVERVIEW**

### **Sources of Funds**

General fund revenues for FY2012 are forecast at \$450M, a decrease of 0.1% over the current year's revised estimate of \$450.6M. After adjusting for about \$6.3M in one-time receipts of telecommunications franchise tax and water franchise tax revenues, adjusted base revenues are projected to increase by about 1.2%. Revenue growth projections for most major tax sources are expected to grow collectively by approximately 1.4%, ranging from a 1% increase in sales taxes to a 1.5% increase in the earnings and property tax receipts. Net decreases can be found in areas such as franchise utility taxes reflecting the aforementioned one-time sources in FY2011, while departmental receipts are projected to increase over 3% due mostly to the first full year of refuse fee collections. These estimates reflect a slow return to growth after several years of decline with prospects of further growth continuing to be constrained by the relatively slow pace of the economic recovery.

### **Earnings and Payroll Tax**

The Earnings tax, the largest single revenue producer, has shown indications of a return to growth after declining about 1.5% after one-time adjustments in the previous fiscal year. Individual withholding taxes were up 2.9% through third quarter of FY2011, suggesting that the recent declines in payrolls have come to an end and providing confirmation of this growth trend. Corporate receipts which represent about 15% of the total have increased nearly 6% over the last 12 months, indicating a significant improvement in corporate earnings although much of those increases have yet to be converted into job growth. Earnings tax receipts in FY2012 are projected to increase 1.5% over the revised FY2011 estimates or about half the long term trend rate. The



Payroll tax, with a slightly different base that is more heavily weighted toward the private sector, has likewise shown modest improvement of about 1.7% through the end of the third quarter with growth expected to more closely follow the earnings tax trend in FY2012.

In November, 2010, voters in the State of Missouri approved a proposition requiring that those cities in the state with an existing earnings tax submit the tax to a retention vote every five years. If not successfully passed, the earnings tax would be phased out over a ten year period. City voters approved the first of these retention votes in April, 2011 with an 88% approval rate.

### **Property Tax**

The year 2011 is a reassessment year and the City's overall assessed value is expected to remain flat at approximately \$4.5 billion. With a modest inflationary increase and consistent delinquent tax collections, property tax revenues in FY2011 are projected to end the year up about 1.7%. In FY2012, with little to no growth in values and only adjustments for inflation, real property tax receipts are projected to increase a 1.5% for the year. Personal property tax receipts have continued to trail real property receipts and are expected to decline over 6% in the current fiscal year. With some improvement in personal consumption expenditures particularly automobile sales over the past year, personal property receipts are projected to remain flat in FY12.

### **Sales Tax**

Sales tax receipts reversed a successive decline of ten calendar quarters in mid 2010. Since that time returns have been mixed with successive quarters alternating between increases and declines. Through ten months of the fiscal year, sales tax receipts are up 3.2% although receipts are projected to end the year up approximately 1.0% over FY2010 receipts. The sales tax has consistently been more vulnerable to declines in economic activity and the overall growth rate has remained below 1% per year. Projections for FY2012 continue to forecast a growth in sales tax receipts of 1% for the year.

### **Intergovernmental Revenues**

Revenues from the state of Missouri representing the city's share of state automobile sales taxes have continued to improve in FY2011 where receipts are expected to finish the year up slightly at \$2.9M. Gasoline tax revenues which are based on a statewide tax and ultimately distributed to local government units typically does not show much growth from year to year and receipts are expected to remain flat at \$9.8M in FY2012. Receipts from the state for prisoner reimbursements declined to \$5.8M in FY2011 reflecting a full year's impact of the reduction in the reimbursement rate to \$19.58 per day from the previous rate of \$21.25 and a slight decline in inmate population. The per diem reimbursement rate remains far less than the actual cost of holding inmates at the City's two detention facilities. No increases in these receipts are anticipated in FY12.

**Franchise Utility Taxes**

In the Franchise Tax category, telecommunications tax receipts are estimated to increase in FY2011 to a total of \$21.4M due to the settlement of the final outstanding case regarding telecommunications receipts. In FY2012, telecommunication tax revenues are projected to settle in at a recurring base of approximately \$17.3M. Of this amount, \$13.5M will continue to be deposited into the employee pension trust fund to be used to pay for costs associated with City employee pensions. In other franchise receipts, recent increases in electric rates as well as an extraordinary hot summer in 2010 have contributed to a 17% rise in electric franchise tax receipts in FY2011. While Ameren U.E. has petitioned for another increase in the coming year this request has yet to be approved. Meanwhile, FY2011 receipts cover a period which had an increase of 40% in the number of cooling degree days over the previous year and 20% over the previous 5 year average. FY2012 estimates assume a decline in electric utility receipts of about 5% assuming more normal weather patterns. Meanwhile, the decline in natural gas rates has left natural gas tax receipts down about 7% through the third quarter of the fiscal year. Estimates for natural gas receipts remain over the next fiscal year. Any increases in rates as well as business activity and of course weather factors will have an impact on actual results. Gross receipts revenues from sales of water in FY2011 contain approximately \$1.4M in payments that were due from the previous fiscal year. As a result, receipts in FY2012 are projected to decline just over 20% or this same \$1.4M amount as base Water revenues are projected to remain flat over the period.

**Tourism and Amusement Taxes**

Restaurant and hotel tax receipt totals have both shown increases in the past fiscal year. Restaurant tax receipts were up 3.8% through the third quarter of the fiscal year with hotel tax receipts rising by 3.2% over the same period. Projections for FY2012 have restaurant and hotel tax receipts continuing to grow at 2.5% and 3.0% respectively. Amusement tax receipts declined by nearly half in the current fiscal year, reflecting the elimination of receipts from professional hockey and other events taking place at Scottrade Center as part of the Peabody Opera house development agreement. In FY2012, amusement tax receipts are projected to total close to \$1.5M. The majority of these receipts remain tied to revenue from NFL football games and will be vulnerable should there be a disruption in the professional football schedule as a result of the current impasse in the NFL labor dispute.

**Other License Fees**

Cigarette taxes have continued a trend of decline and are down 8.5% through the third quarter of FY2011. This trend is projected to continue into the next fiscal year with FY2012 with receipts estimated at \$1.5M, anticipating a further decline of 5%. The largest category of license fees remains the graduated business license (GBL). The previous fiscal year saw GBL receipts decline by an additional 1% to total \$7.2M. Given the timing of receipts, mostly in May and June, results for the current fiscal year are somewhat tentative, however



estimated receipts are expected to remain at these reduced levels pending a stronger recovery in the job market.

**Departmental Receipts**

Revenues derived from service fees and fines collected by various City Departments were up approximately 18% through the third quarter of FY2011 due primarily to the \$7.8M in revenues received to date from the City's new refuse collection fee. With receipts now estimated to total \$10.6M in FY11, these receipts are the largest of a number of new revenue initiatives institutes in FY2011 to address the significant budget gap. Some of these initiatives, such as a \$2.5M increase in EMS revenues through contractual collection agreements and the \$2M in new failure to appear fines at City courts were not realized in FY2011. However, other scattered increases in fees ranging from street blocking permits, to those related to revisions in building codes, air pollution monitoring and food inspections have produced additional department revenues that are expected to total \$1.4M in FY2011. In FY2012, departmental receipts are projected to increase by 3.8% led in part by the first full year of receipts of refuse fees which are estimated to total \$12.6M. Despite the continued sluggishness in the housing market, a number of commercial developments are expected to boost building permit revenue by \$700,000 over revised FY2011 estimates. Offsetting these increases is an anticipated decline in cost allocation payments from the Water Division after one-time payments of about \$700,000 due from FY2010 were made in the current fiscal year. An important component of the effort to address the projected budget gap for FY2011 and continuing into FY2012 was to review the existing fees that departments charge for various City services. Since these fees do not necessarily grow with inflation, over time they are prone to fall behind the costs of providing the services they are designed to capture. It will be necessary from time to time to update the City's fee structure so that these services remain adequately supported in the future.



---

## **USES OF FUNDS**

The FY2012 general fund budget is proposed at \$450.0M, a decrease of 0.3% from the budget for FY2011. The following are some of the highlights of the proposed general fund budget and methods for addressing declining associated revenues.

### **Employee Pay and Benefits**

Approximately 75% of the general fund budget is related to salary and benefit costs of employees. Recent budgets therefore have necessarily included reductions in the City workforce as well as measures to offset the rising costs of pensions and other benefits. The FY2012 proposed general fund budget includes a net reduction of 60 positions and due to continued budget pressures assumes no increases in salaries. A salary savings reduction of 3.5% or approximately \$4.0M has been included in most departments' budgets to offset recent increases in the cost of employee pension and health benefits. In the past fiscal year, cost saving initiatives included employee furloughs of five days for general employees and ten days for management employees. Measures to be employed in FY12 will be determined through pay plan negotiations. The largest contributing factor to the rise in compensation costs remains employee pensions. In FY2012, the general fund share of the costs of the City's three pension systems will increase by a total of \$3.4M. There was a proposal before the state legislature that would allow for the Fire Retirement system to switch methodologies in valuing its current retirement system. The method, known as Entry Age Normal (EAN), would reduce the FY2012 overall contribution to FRS by \$5.8M of which \$5.2M is the general fund portion. Of this \$5.2M amount, \$3.8M had been utilized in the FY2012 budget to keep overall costs of the Fire Department from increasing while the remaining \$1.4M will remain appropriated if needed as payment to the Fire Retirement system. In the event the legislation did not pass, the difference was to be paid to FRS over a 5 year period. As it turned out, the legislation was not adopted thus triggering the 5 year agreement. It is important to note however, that although the EAN method is a more common method for pension valuations, this proposed switch in valuation method does not produce actual cost savings as the City's contributions will increase in future years. True cost savings through reform of the Fire retirement pension system will continue to be pursued as a means to avoid these rising costs. The Police Department will likewise be implementing steps to offset the costs of their pension increases in FY2012.

### **Police and Public Safety**

The Police Department and other departments of Public Safety represent about 56% of the total general fund budget. The Police Department at \$144.1M in operating and pension costs represents over 32% of the budget and is the largest component unit of Public Safety. In FY2012, the Police Department with the continued assistance of a hiring grant for 50 officers received as part of the American Recovery and Reinvestment Act of



2009 (ARRA) will maintain its authorized uniformed officer strength at 1,345 officers. With the late April award of a Staffing for Adequate Fire and Emergency Response (SAFER) grant, the Fire Department was able to rehire 29 firefighters that were laid off early in the fourth quarter of FY2011 due to budget reductions. The SAFER grant award totals \$3.2M over a two year period. Meanwhile with continued changes in scheduling and availability, the Fire Department budget assumes continued attrition to result in an overall uniformed strength of 586 firefighters by the end of the fiscal year. This would be a total reduction of 45 firefighters from the previous authorized strength of 631 uniformed firefighters from two years ago.

The Division of Corrections anticipates continued operations with a census population of inmates at both the City Justice Center and Medium Security Institution hovering around 1,400. While total costs will remain comparable to the current fiscal year at \$32M, efforts will continue to generate potential cost savings through the exploration of alternative sentencing and electronic monitoring programs.

### **Judicial Offices and County Offices**

With only one scheduled City wide election in the next fiscal year, the presidential primary currently scheduled for February of 2012, the Board of Elections budget will decrease by approximately \$700,000. The Circuit Court offices including Juvenile Detention have reduced costs totaling approximately \$0.8M. Increases in contractual services for custodial and maintenance contracts have been offset by a reduction of three positions and reduced salary costs of the Juvenile Division. The FY2012 budget proposes a General Fund subsidy for the Drug Court, after funding the program through crime prevention funds of the ½ cent public safety sales tax in FY2011. A number of positions have been reduced in Judicial Offices with the budget for the Office of the Circuit Attorney reduced by three positions, the Sheriff by two and the City Marshal by one. City Courts will continue efforts initiated in the previous fiscal year to reduce operating costs of REJIS (Regional Justice Information System) and has budgeted a \$40,000 reduction in this expense.

### **City Wide Accounts**

City-Wide Accounts refers to those items that are not department specific. These include payments for debt service on the outstanding debt of the City's convention center as well as payments to the Capital fund for other existing lease debt obligations. With the assistance of continued reallocations in ½ cent sales tax revenues within the capital fund as well as such revenue sources as the \$3.2M from the sale of the City owned building at 634 N. Grand, the City's general fund debt obligations which would otherwise have increased, will remain constant at \$26.6M in FY2012. The subsidy for the office of the Assessor which anticipates increased reimbursements from the state will decline by \$250,000. Otherwise most other city wide accounts will remain fixed at previous fiscal year levels.



### **Parks Department**

In the Department of Parks, Recreation and Forestry, the department will see a reduction of a total of 6 positions. Most of these positions are in the Parks Division and will impact park keeping crews. Per performance seasonal employees will remain budgeted at current year levels. The Forestry Divisions plans to maintain its schedule of service rotations for vacant building and lots to 4 and 8 respectively during the growing season. An increase of approximately \$200,000 in per performance seasonal employee salaries to support 8 additional two-person trim crews will allow Forestry to address increased demand for trimming in vacant lots. The Parks Division will see a reduction in its ball field maintenance crews and patrol capabilities, however its schedule of maintaining service rotations for parks at every two weeks during the peak growing season will continue. The City's subsidy toward Tower Grove Park has also been reduced by \$10,000 or about the same reduction in percentage terms as the cost of the Parks Department.

### **Street Department**

The City Refuse Division of the Department of Streets will be implementing the second year of its \$3M recycling and enforcement program. These funding for these efforts was made possible through collection of the new refuse collection fee. In FY11, the Refuse Division distributed nearly 2,900 new blue recycling bins and 4,000 roll out carts for recycling throughout City neighborhoods. In addition, more than 40 cameras have been deployed to address illegal dumping in neighborhoods where dumping has been identified as a significant problem. An additional \$2.8M will be allocated to complete this effort in FY12. In addition to the positive environmental impacts of recycling, the cost of landfill disposal declines with every ton of waste that is recycled and removed from the City's waste stream. Elsewhere in the Department of Streets, the Street Division will see an increase of \$590,000 to replenish its road salt supply after experiencing a particularly harsh winter season.

### **Health and Human Services**

The Health and Human Services departments are funded primarily with local use tax special revenues and grant funds and thus do not represent a significant portion of the general fund budget.

### **Board of Public Service**

The Board of Public Service has responsibility for providing engineering services as well as maintaining and servicing the City's public buildings and rolling stock fleet. The City's Equipment Services Division of the Board of Public Service purchases approximately 1.3M gallons of fuel annually to keep City service vehicles running. The rising cost of fuel in the past year along with the continued deferral of equipment replacement and resulting need for repair has led to increases in costs of these support services. The Equipment Services Division budget will rise \$1.3M in FY2012 to address these increased fuel and equipment repair costs. In



FY2012, Facilities Management Division will begin implementing a number of initiatives related to improving energy efficiency of municipal buildings. A \$35,000 energy efficiency grant from Ameren U.E. is helping with an evaluation of energy usage at the City Justice Center while a recent award of \$3.7M in energy efficiency and conservation block grant funds will be utilized to improve operations at both City Hall and the Carnahan Courthouse. As in the previous fiscal year, it is proposed that \$590,000 in utility costs for facilities within Forest Park be charged to the Forest Park Fund.

**General Government and Finance**

Along with other City departments, general government and finance departments have continued to look toward reductions in operating costs with a total net reduction of six general fund positions in FY2012. The Department of Personnel is eliminating a vacant human resources specialist position, and the City Counselor's office is reducing its legal support staff by two positions. In addition to a position reduction, the Comptroller's office, which pays the City's sewer bill, is expected to see a decline in the budget for this expense of \$350,000.

The combination of expenditures reductions as well as new sources of revenue and revenue reallocations contained within this annual operating plan is designed to produce a general fund budget that while preserving core City services remains balanced both in the next fiscal year as well as into the future.

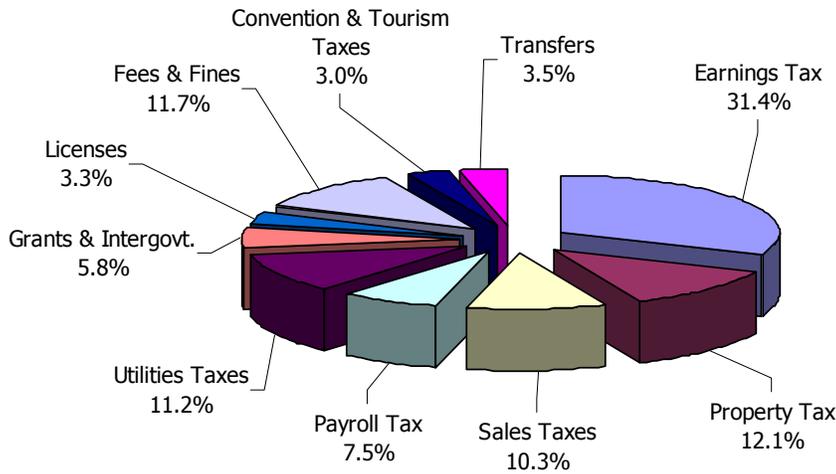


**FY2012 General Fund Budget Highlights**

- \$12.6M in gross revenue from first full year of refuse collection service fees with \$2.8 allocated toward 2<sup>nd</sup> year of recycling and enforcement efforts
- \$4M in salary savings equivalent to 3.5% of salary costs to offset general employee pension and other payroll cost increases
- \$1.6M in proceeds from the first year of a two year \$3.2M Fire Dept. SAFER grant for funding 29 firefighter positions.
- Police to maintain total of 1,345 authorized uniformed officer total while offsetting \$2.5M increase in pension costs
- \$3.8M from proposed change in Fire Retirement valuation method used to offset increase in City contributions
- \$590,000 increase in Street Division budget to replenish road salt supply following harsh winter season
- \$350,000 reduction in City sewer bill costs paid through the Comptrollers Office
- \$250,000 decrease in Assessor subsidy with projected increase in State reimbursement revenue
- \$400,000 reduction in general government administrative offices
- \$700,000 net decrease in costs of the Election Board for administering due to reduced election schedule
- \$0.6M net reduction in Circuit Court operations
- \$300,000 reduction in other judicial offices including Circuit Attorney, Sheriff, City Courts and City Marshal
- \$250,000 reduction in park keeping and park patrol operations
- \$210,000 in drug court subsidy to be funded with General Fund
- \$1.3M increase in operating funds of the Equipment Services Division to meet rising fuel and repair costs
- Net decrease of 60 general fund positions

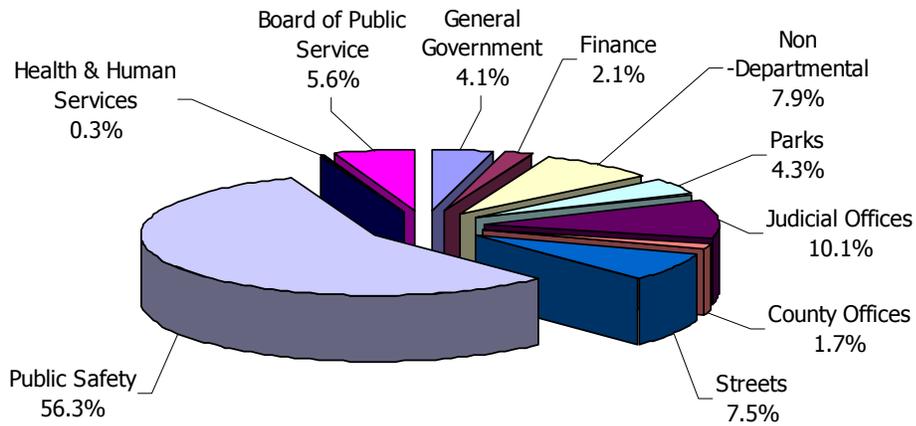


### FY2012 General Fund Revenues



**Total General Fund Revenues = \$450.0 Million**

### FY2012 General Fund Budget by Department



**Total General Fund Budget = \$450.0 Million**



## PROJECTED OPERATING RESULTS

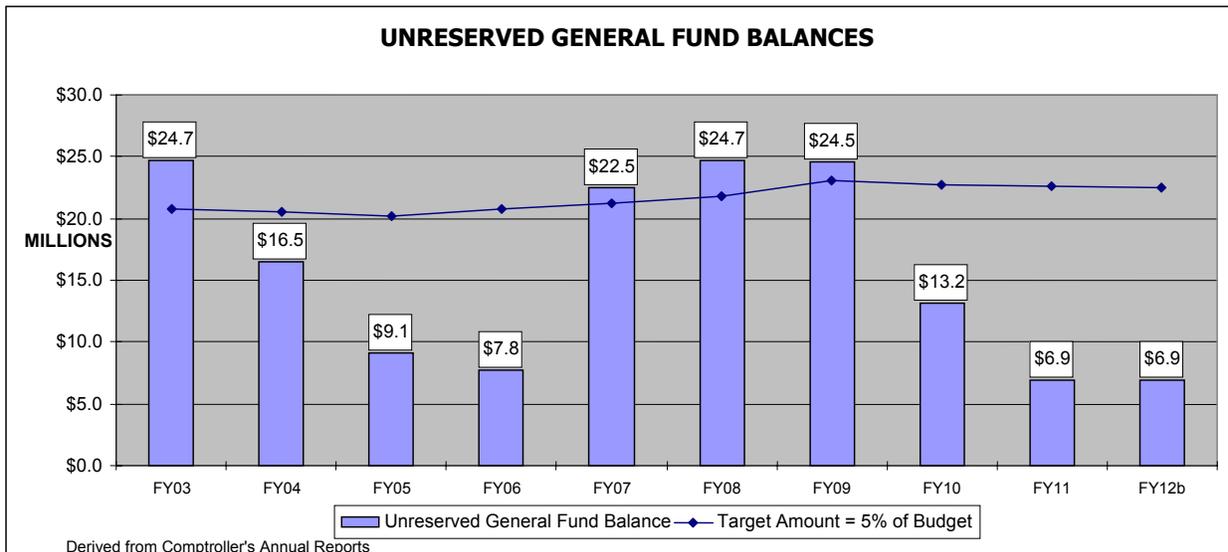
### GENERAL FUND

The adjacent table presents the projected general fund operating results for FY2012. The proposed general fund appropriation is balanced at \$450.0M and does not rely on any draws from the unreserved general fund balance. In recent years due to budget shortfalls, the unreserved balance has fallen below its target amount of 5% of the budget. Despite shortfalls in some revenues in FY2011, other one-time sources and reductions in discretionary spending during the year should be sufficient to result in a close to break-even close to the current fiscal year. Therefore it is not anticipated that any further draws upon reserves will be necessary.

#### FY2012

#### General Fund Projected Operating Results

Estimated Revenue	\$450,008,592
General Fund Appropriation	450,001,054
Operating Balance	<u>\$ 7,538</u>





### OTHER FUNDS

While much of the budgetary focus is placed on discretionary spending of the General Fund, the operating balances of other funds can also have an impact on budget development.

#### Special Funds

In the Special Funds category, aided in part by an increase in the sales tax rate that became effective at the beginning of the fiscal year, Local Use Tax revenues deposited to the **Local Use Tax Fund** are expected to show an increase of about 7% in FY11. Total receipts are estimated at \$27.2M and projected to remain flat in FY2012. The previous year's decline in use tax receipts has had an impact on the general fund budget as more of the burden of services funded with excess use tax funds depends upon general revenue support. Appropriations in the Local Use tax fund will decline by \$0.4M in FY12 as the budget continues to work out of a deficit in the excess use tax fund from FY10. With an expected increase in reimbursements from the state the general fund subsidy to the **Assessment Fund** is budgeted to decline by \$290,000. Revenues from gross receipts from cable and other video service providers, paid into the **Communications Fund** are expected to rise approximately \$200,000 over receipts in the previous year. In addition to funding operations of the City's public access channel, the Communications Fund appropriates all excess revenues as a supplement to general revenue. In FY2011, **Gaming Fund** revenues have seen a decline of close to \$2M with the closure of the President Riverboat casino in July of 2010. Revenue at Lumiere Casino on the Landing has also declined following the opening of a competing facility in near South County. As part of the development agreement of the county facility, Pinnacle Casinos which owns both facilities is to pay the City \$1M per year and the first of these payments was received in January, 2011, offsetting most of the decline in Lumiere receipts. Total gaming fund appropriations will decline by approximately \$450,000 in FY2012, reflecting the expenditure of previous fund balances and a new slightly lower revenue base.

#### Enterprise Funds

In the Enterprise Funds, the **Water Division** continues to see increases in the cost of water production while at the same time many large users have reduced consumption. The budget for the Water Division in FY2012 will decline by \$4.9M or 8.5% and will see a net reduction of twenty positions. These efforts are geared toward reducing operating costs so as to minimize the need for future rate increases. The budget for the **Airport** at \$171.3M is an increase \$8.9M or 5.5%. Most of this increase can be found in the cost of servicing various debt agreements and the Airport is supplementing its normal revenues with a draw of \$13.7M in rate mitigation reserves.

With no projected shortfalls from sales tax receipts in FY2011, the **Capital Fund**, which receives a major portion of its revenues from the ½ cent capital sales tax and the 1/10 cent Metro Parks sales tax, will not need to address any prior year deficit amounts in FY2012.



---

**CAPITAL IMPROVEMENTS**

The City of St. Louis Capital Committee has developed a five-year Capital Improvements Plan containing projects that have an estimated cost of \$320M. These projects will be funded through a combination of local, state and federal funds. Over the five year period, an estimated \$217M will be appropriated for cash payments and debt service requirements and in some cases the local matching share for road and bridge repair projects and major flood protection projects. The FY2012 Capital Budget funds the first year of the plan with a recommended appropriation of \$34.9M. This is an increase of \$9.8M from the prior year. Given the significant challenge in balancing the City's general fund budget, a total of \$3.5M in ½ cent capital sales tax revenues from ward, major parks and recreation center accounts is proposed to be reallocated to offset existing debt payment obligations of the general fund. An additional \$2.6M in debt service payments will be offset with available bond funds that have been released but remain restricted for debt service purposes. Other revenues supporting the capital budget include \$5.9M from projected gaming revenues, \$1.4M in courthouse restoration fees, \$630,000 in gasoline tax revenue, \$3.2M from the sale of the City owned building at 634 N. Grand and \$350,000 in projected proceeds from the sale of miscellaneous City assets.

Capital expenses planned for FY2012 include those for projects designed to further the City's goal of stabilizing neighborhoods as well as increasing the efficiency of service delivery through replacement of vital equipment required to deliver those services. Funding policy established by the Capital Committee sets a high priority on leveraging non-city funds to the maximum extent possible to effect major improvements to roads and bridges.

**Ward Improvements - \$5.8M**

Each of the City's 28 wards will be allocated \$207,723 in FY2012 ½ cent sales tax revenues. With the previously mentioned reallocation, this represents 75% of a normal year's allocation. These funds will be allocated for projects such as neighborhood park improvements, street resurfacing, sidewalk replacement, and refuse container replacement. Actual projects are recommended by the ward alderman subject to approval by the Board of Estimate and Apportionment.

**Parks and Recreation Centers - \$3.2M**

The City's six major parks, Forest Park, Tower Grove, Carondelet, Fairgrounds, O'Fallon and Willmore will share \$2.3M in ½ cent sales tax and metro parks improvement tax funds. Planned projects include roadway repairs, equipment replacement and improvements to playgrounds. Of this total Park allocation, \$926,400 in Metro parks funds will be allocated to neighborhoods parks for similar capital improvements.



### **Facility Improvements - \$19.3M**

Funds categorized as being for facility improvements will service previously incurred debt for construction and renovations of several City facilities. Major facilities include the City Justice Center, Civil Courthouse and Carnahan Courthouse buildings, the Juvenile Detention Center as well as the renovated City building at 1520 Market St.

### **Equipment Replacement - \$4.0M**

\$4.0M has been allocated to service debt payment requirements of existing rolling stock lease agreements necessary to replace vehicles in such areas as refuse collection, street cleaning, and animal regulation functions. In FY2009, a line of credit was obtained and has been used for a replacement of rolling stock up to a pre-set credit limit. In FY2012, a planned lease debt issue of up to \$10M is planned for improvements to the municipal building at 1520 Market including renovations of the 2<sup>nd</sup> floor to accommodate the relocation of the St. Louis Development Corporation, elevator replacements and needed improvements to the entry plaza.

## **MAJOR FUND TYPES**

### **GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions are financed. Governmental fund categories include:

**General Fund** - the City's main operating fund through which the majority of City services such as police and fire protection, emergency medical services, and parks and streets maintenance are funded. Most tax receipts and other revenues not required to be accounted for in another fund are considered general revenue. General Fund expenditures account for about one-half of all City expenditures.

**Special Revenue Funds** - used to account for specified taxes, fees, grants or other sources of revenue that are dedicated by ordinance for a specific purpose. Funds contained in this category include government grants, the Local Use Tax Fund, the Convention and Tourism Fund, Gaming Fund, Assessment Fund, Lateral Sewer Fund, Tax Increment Financing Funds, Transportation Fund and other miscellaneous special funds.

**Debt Service Fund** - used to account for revenues and expenses related to the City's existing general obligation (property tax supported) debt.



**Capital Project Funds** – used to account for revenues and expenditures related to capital equipment purchases, public infrastructure improvements or public projects. The sources of capital funds vary from a dedicated ½ cent sales tax, to proceeds from bond issues and appropriations from the general fund.

### **PROPRIETARY FUNDS**

Proprietary funds are used to account for activities that are similar to those found in the private sector. Proprietary fund categories include:

**Enterprise Funds** – used to account for funds operated similar to private business type activities; this would include the Airport and City Water Division. The Meter Division is also operated as an enterprise fund and is separately appropriated.

**Internal Service Funds** - used to account for activities that provide services for certain City programs and operations. These include the City mailroom, workers' compensation and employee health insurance programs.

### **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for resources held for the benefit of individuals or units outside of the City. The City serves as a trustee or has fiduciary responsibilities for the assets. These include the City's various pension funds. While contributions to these funds are appropriated, the activities of the funds themselves are not part of the appropriation process.

Detailed descriptions of funds within each of these fund groups can be found in the glossary in the Appendix of this document.

The tables on the following pages contain summary budget information for all funds. A more detailed discussion of the general fund budget and descriptions of trends in major sources of revenue follow.