



MEMORANDUM

TO: Board of Aldermen

CC: Bola Akande, City Administrator
Kevin O'Keefe, City Attorney

FROM: Chris Thornton, Mayor

DATE: January 18, 2016

SUBJECT: State of the City and the 2016 Budget

I am writing to update the Board on the state of the City as we enter the New Year and to encourage you to pass a budget for 2016.

State of the City

The City ended 2015 with its finances in very good shape. Our general fund balance was over \$4M and we added approximately \$665,000 to the general fund balance in 2015. Sales tax revenues continue to be an important source of the City's revenue and they continue to be very strong. Brentwood continues to be a desirable place for commercial development. The recent additions of Chick-fil-A, Total Wine and More, and several others clearly demonstrate Brentwood's continued commercial strength. The owners of Hanley Industrial Court report nearly zero vacancy and commercial development throughout the City is thriving. Indeed, NerdWallet.com rated Brentwood the 3rd best place to start a company in Missouri.

It is not only our commercial districts that are doing well. Brentwood continues to be a superior place to live and raise a family. City taxes on Brentwood residents are among the lowest in St. Louis County. Brentwood residents contribute no property tax revenue to the City's general fund. Property taxes collected from Brentwood residents go directly to the Police and Firefighters Pension Fund and the Brentwood Library. It is no wonder that Niche.com named Brentwood the best place to purchase a home in St. Louis and the 2nd best place to purchase a home in Missouri.

In 2015, the City was able to use its financial strength to carry out much needed infrastructure and capital improvement projects. The Recreation Center and Ice Rink were completely renovated giving the City a much more useful and beautiful facility. A three year project to completely renovate and light Litzsinger Road from McKnight to Brentwood Blvd was nearly completed. This improvement will give residents on the west side of town greater access to the City's fantastic trail system and residents on the east side of town greater access to Tilles Park. Nine City streets were resurfaced; the first phase of a plan to resurface all the City's streets by 2019. The existing sidewalks along these

streets were also restored. In addition, several miles of our trail system were cleared and resurfaced and sidewalks along Rosalie and Bridgeport were completely replaced. In our continuing effort to address storm water and flooding issues, seven storm water containment chambers were implemented along High School, White and Bridgeport.

All of the above was accomplished while maintaining a high level of service to our residents. Our Police, Fire, Public Works, Sanitation and the City's Administrative teams worked very hard to ensure that the City could carry out these projects without negatively impacting the delivery of core services to our residents.

In 2015 we implemented a number of important employee compensation policies that will ensure that the City is able to hire and retain the best employees and meet its long-term obligations to residents and employees alike. Near the end of 2015, the City implemented a market based compensation plan. This plan ended the City's antiquated longevity pay program, defined step plans for all city positions and implemented market based salary caps. Ordinance #4674 allows the City to reign in the growth of its biggest expense (payroll) in a way that is fair to both City employees and taxpayers. Employees currently compensated above the step plans established by the Board have had their salaries capped until the market "catches up" with them. The salary caps ensure that the City's payroll obligations do not continue to grow beyond the City's ability to meet them.

In November, the City executed a Memorandum of Understanding (MOU) with IAFF Local 2655 adopting the terms of the City's compensation plan. This represents the first time that the City has had a meaningful, written agreement with the union representing its fire fighters regarding compensation and employment practices. City Administrator Akande, Chief Jury and Shop Steward Youngblood are to be commended for their countless hours of hard work in reaching this unprecedented agreement. Ordinance #4674 and the MOU comprise a rational, sustainable, market-based plan for the compensation of all the City's employees. They provide a clear plan for effectively managing the City's biggest expense and bringing Brentwood's salaries into line with those of its comparator cities while ensuring that we are able retain our talented work force.

While we accomplished much in 2015, there are still areas of concern that need to be addressed and significant challenges facing us as we begin 2016.

We need to improve the consistency of our customer experience. In essence, the City is a customer service organization. Customers (residents) request services from the City and for the most part, the objective of municipal government is to provide those services. Like any customer service organization, our goal should be to provide the highest level of service at the lowest reasonable cost.

While it seems quite simple; the resident contacts the City and the City responds to the request, the scenario can quickly become quite complicated. For example, how does the resident contact the City? By telephone (which of the eight phone numbers on the cover of the newsletter do you call?), by Email (to whom?), snail mail (yes, some of our residents still prefer to write letters and we don't mind!), talk to your Alderperson, or maybe just stop by City Hall (who do you talk to?). What are you contacting the City about? Trash pick-up? An idea for an improvement to a City Park? Code violations in your neighborhood? Reporting a dangerous condition on City property? Just trying to find out when the Valentine's Day sweetheart dance will take place? Consequently, the manner in which the resident communicates with the City and the nature of the communication can produce drastically different results. In the worst cases, the City has failed to respond to some residents. This is not acceptable.

We must do a better job of defining our customer service processes, measuring our results and using this information to improve the consistency and the efficiency of our customer experience.

In 2015 we lost several very good City employees in management positions. Human Resources Director Julie McMillian, Finance Director Gina Jarvis and Assistant City Administrator and Director of Planning and Development Justin Wyse left the City for other opportunities. We will need the help of talented individuals like these and many others, if we are going to continue to realize our potential as one of the premier municipalities in the St. Louis area. To hire and retain talented people, we will have to resist the temptation to micromanage them. We will have to give them the authority to make decisions on behalf of the City, even if this results in the occasional mistake, or more importantly, a decision that is contrary to what we might have done in the same position. We must allow our management team, staff and consultants to act in our best interests while we focus our efforts on making sure that there are policies to guide their actions as well as controls and procedures in place to prevent illegal, immoral or unethical behavior. This is the only way forward. Running a municipality in 2016 is a complex operation. Concentrating control in the hands of a few individuals may make some feel more secure, but it will not allow us to reach our full potential.

Budget for 2016

On October 30, 2015, City Administrator Bola Akande and her staff presented us with the proposed 2016 budget. In summary, the proposed 2016 budget balanced the City's revenue and expenses, added personnel in key areas, accelerated the plan to refurbish our city streets, increased our investment in our parks and projected an increase to our general fund balance (sometimes referred to as the reserve). The proposed 2016 budget did not reduce any City services and did not increase taxes on our residents. The proposed 2016 budget was reviewed and recommended by the Ways and Means Committee and was the subject of at least two public hearings. On December 21st the Board of Alderman failed to approve the proposed 2016 budget on a 4-3 vote. Aldermen Lochmoeller, Leahy, Manestar and Saunders voted no; Aldermen Plufka, Slusser and Toohey voted to approve the proposed 2016 budget.

Pursuant to RSMo Chapter 67.070, because the Board of Alderman failed to approve a budget for 2016, the City is constrained to operate under the previous year's budget in so far as it is applicable. Generally this means that for day-to-day operations, we are operating under the 2015 budget. Fortunately, due a great deal of hard work in a very short time by City Administrator Akande and our contract finance director Ronna Alaniz, we were able to fully implement the City's new compensation plan and fulfill our commitment to IAFF Local 2566 under the MOU. Our regular expenses are being paid, our employees have not been adversely impacted and we have generally been able to keep providing essential services to our residents. There are, however, several items that will be negatively impacted if the Board does approve the proposed 2016 budget:

Street projects – As mentioned above, the proposed 2016 budget accelerated the refurbishing of the City's streets. Without approval of the proposed 2016 budget we will continue with the plan to refurbish all of the City streets, but it will be delayed significantly.

Comprehensive plan – the proposed 2016 budget allocated significant resources to the review and revision of the City's comprehensive plan. This will not take place without an approved budget.

Implementation of Customer Relationship Management (CRM) systems - the proposed 2016 budget allocated significant resources for the implementation of CRM systems to help us better manage and measure the delivery of services to our customers (residents). This will not take place without an approved budget.

CALEA® Certification for Police Department - The proposed 2016 budget allocated significant resources for CALEA® certification. This will not take place without an approved budget.

In addition to the above, there are many other smaller, but no less important, projects that will not take place without budget approval. Improvements to our parks and trail systems, sidewalks, and grant applications for Federal funds will all be negatively impacted by the Board's failure to approve the proposed 2016 budget. Finally, I think it is worth mentioning that failing to pass a budget has almost certainly earned the City a management comment from our auditors and it is likely that the persistent lack of a budget will lead to an audit finding in our 2015 audit. These are black marks the City can ill afford given our recent experience with the Missouri State Auditor.

Clearly it would benefit the City to have a budget for 2016. City Administrator Akande has proposed a very reasonable and well balanced budget with a heavy focus on improving customer service and capital improvements throughout the City. Not only did the Board of Aldermen fail to approve this budget, they failed to offer any alternatives! During the discussion on the proposed 2016 budget, Alderman Leahy offered two incoherent motions to amend the budget. Neither got any support from the Board. No other changes were proposed. As of December 21st the Board had had the proposed 2016 budget for more than 7 weeks. This was more than enough time to acquaint themselves with it and prepare any objections and/or modifications and yet no serious amendments were offered. If the Aldermen who voted against the proposed 2016 budget have an alternative plan, I have yet to hear it.

We are more than half way through the first month of the new fiscal year and we do not have a budget. We have almost certainly delayed a number of important projects like the reformulation of the comprehensive plan and if we proceed much longer without a budget we may miss the summer road construction season all together. I encourage the Board to think seriously about our City, its future, and our priorities and approve a budget for 2016 as soon as possible.