

# CITY OF FRONTENAC



## MINUTES OF THE WAYS AND MEANS COMMITTEE REGULAR MEETING FRONTENAC CITY HALL AUGUST 18, 2020

### A. CALL TO ORDER

The August 18, 2020 regular meeting of the Ways and Means Committee of the City of Frontenac was called to order at 3:00 p.m. The meeting took place via teleconference.

### B. ROLL CALL

Chairperson Margaret Sherwood	Warren Winer
Tim Sant	Bob Lenzen
Tom Mug	Ken Marx (3:10 p.m.)
Aldersperson Dan Millman	
Ex-Officio Emily Arneson, Assistant. Treasurer (3:10 p.m.)	

Ms. Ross stated there was a quorum.

Also in attendance were City Administrator Jaysen Christensen; Finance Officer, Lea Ann Bennett; and City Clerk, Leesa Ross.

Mayor Kate Hatfield was present.

Martin Ghafoori of Stifel, Nicolaus & Company, Inc. was also on the call.

### C. VOTE TO APPROVE AGENDA

Chairperson Sherwood asked for a motion to approve the August 18, 2020 agenda.

**MOTION:** Mr. Lenzen motioned and Mr. Winer seconded approval of the agenda. All voting members present voted in the affirmative. **MOTION PASSED.**

### D. VOTE TO APPROVE MEETING MINUTES

- **July 21, 2020**

Chairperson Sherwood asked for a motion to approve the July 21, 2020 meeting minutes.

**MOTION:** Mr. Mug motioned and Mr. Sant seconded approval of the July 21, 2020 meeting minutes. All voting members present voted in the affirmative. **MOTION PASSED.**

## **E. PUBLIC FORUM**

There were no comments by the public at this time.

## **F. COMMENTS BY COMMITTEE MEMBERS**

There were no comments made at this time.

## **G. CHAIRPERSON'S COMMENTS**

Chairperson Sherwood welcomed Mr. Marx and Mr. Mug to the Committee. Ms. Sherwood mentioned the finance article that was in the most recent City newsletter, and thanked everyone who assisted writing the article.

## **H. REVIEW OF FINANCIAL REPORTS**

- **July 2020**

Ms. Bennett stated the majority of last year's revenue will be accrued back into fiscal year 19-20. For the month of July, the revenues are down 22% compared to the budget and 31% compared to last year, with the majority of decline due to sales tax being lower. She said the numbers are about 70% lower on sales tax, while business license fees are up. Expenses are less than budgeted, and \$150,000 of expenses will be booked back into fiscal year 19-20.

## **I. OLD BUSINESS:**

### **Sales Tax Trends**

Ms. Bennett stated the March sales taxes were estimated to be down 40% and are down 54% ; April sales taxes were estimated to be down 80% and are down 75%; and May sales tax expenses were estimated to be down 60%, which they are. She said June sales are currently down 41%, compared to the estimated 30% reduction.

Chairperson Sherwood asked Ms. Bennett to drop March for next month's reporting and only use April, May and June because she will be adding July.

### **Sales Tax & Utility Tax Audit**

Ms. Bennett stated she had nothing new to report at this time.

## **Sales Tax Interruption Coverage**

Mr. Christensen stated our attorney sent a letter to our insurer. The insurer responded with a letter denying the insurance coverage. The legal team is preparing a response. Ms. Bennett is working on projecting the total loss as a result of COVID. Through June 2020, the City has a loss of \$900,000 on sales tax in total, although we can only file a claim for lost sales tax revenue for the seven properties listed in the policy. He also said we are not near our coverage limit of \$3.5 million.

## **PILOTS**

Mr. Bennett sent a summary of the PILOTS out to everyone. The spreadsheet was discussed in detail regarding the PILOT agreements and payments owed to the City. A more detailed discussion regarding the Frontenac Grove PILOT ensued. Chairperson Sherwood suggested the base should read “sales tax, business licenses, and PILOTS based on gross receipts.” There was discussion as to how PILOT agreements have been decided in the past, and the question was raised as to why neither Simmons Bank nor Triad Bank had PILOT agreements. Mr. Christensen will investigate the situation and get back to the Committee at its September meeting.

## **Bond Refinance Discussion**

Mr. Martin Ghafoori of Stifel Nicolaus was present to discuss the possible refinancing of the City’s bonds on the City Hall building. The overall savings estimate of refinancing the bonds was approximately \$275,000 through 2029 at a potential savings between \$30,000 - \$33,000 a year. A more detailed discussion followed.

Chairperson Sherwood stated when this discussion began the Committee discussed the City paying off the bonds early. However this was before COVID-19. At this time, the City would like to conserve its cash. One option is to refinance the bonds with a bank. The outstanding bonds average a coupon of 5.93 or 3.95%, and the current new, all in bond rate would be at a 1.56% equivalent APR. The City would have to have a revised bond rating to do this. The last bond rating in 2013 was AAA. Mr. Ghafoori advised that some cities with retail malls have had their ratings decreased due to the cities’ exposure to sales tax revenue loss.

Chairperson Sherwood and Mr. Sant stated the City should continue to explore this issue as the City could save \$200,000 to \$250,000 over the next nine years. There was additional discussion regarding the bank options, whether to increase the debt to cover the cost of the ambulance and police vehicles, and the cost of the current annual payments.

Mr. Ghafoori stated he would like the City to sign an agreement for Stifel Nicolaus to continue exploring options. There are no fees to continue, as they are doing this as a general service, which they will hope will lead to an agreement to refinance the bonds.

Mr. Winer stated he would like to see several scenarios run through the City's model before a decision is made. Alderperson Millman stated Mr. O'Connell is loading the budget, and he hopes the model will be available soon.

Chairperson Sherwood asked whether the Committee should make a recommendation to the Board of Alderpersons to engage Stifel Nicolaus to evaluate bond refinancing options. Alderperson Millman stated he is happy to discuss this with the Board at the upcoming meeting tonight.

**MOTION:** Mr. Mug made a motion and Mr. Lenzen seconded the motion that the Ways & Means Committee recommend to the Board of Alderpersons to engage Stifel, Nicholas & Company, Inc. to do additional analyses of alternate bond refinancing options, contingent on the City Attorney approving the engagement letter, with the probable intention of refinancing the bonds to effect a savings for the City.

**ROLL CALL VOTE:** Mr. Mug, "Aye"; Mr. Lenzen, "Aye"; Chairperson Sherwood, "Aye"; Mr. Sant, "Aye"; Mr. Marx, "Aye", Mr. Winer, "Aye"; and Alderperson Millman, "Aye". Motion passed by a vote of 6-0.

### **Utility Tax Lawsuit Updates**

Mr. Christensen stated this involves class action lawsuits that affect the City of Frontenac and other cities. The cities were awarded a favorable verdict for \$22,000,000 in the Charter lawsuit, and the attorneys are working on a post-trial motion. He expects Charter to appeal. The AT&T lawsuit is still in the discovery phase.

### **Development Updates**

Mr. Christensen stated Uncle Julio's is expected to open at the end of the year. Things are moving slowly at Plaza Frontenac, with 60% of normal traffic with sales below that. A few stores still have not opened, however 90% are open. Brooks Brothers has not reopened. Mr. Christensen said Chase Bank is a few weeks away from a certificate of occupancy.

### **COVID-19 Updates**

Mr. Christensen stated there are no updates at this time. He said several employees have self-quarantined due to family members who were required to self-quarantine. We have had only one positive test among our employees, and that was in the Fire Department. There has not been a lot of overtime. Mayor Hatfield stated she is unsure if the City will receive any funds from the CARES Act. Mr. Christensen stated the Municipal League of Greater St. Louis is negotiating with the County to get a portion of the \$47 Million to help cities. The County's current plan is to give money to the municipalities with the most exposures. The Municipal League favors a distribution based on population.

## **Multi-Year Plan**

There were no comments made.

## **J. NEW BUINSESS**

### **Revenue Insurance Policy**

Ms. Bennett stated she has contacted our insurance broker and said there is no such policy, that sales tax is the only thing that could have been insured, but it is no insurance available for this now. Mr. Marx stated he spoke to his insurance broker who confirmed that for a business interruption claim, there would have to be a physical loss, e.g. due a boiler blow-up, that would leave Plaza Frontenac or other covered business closed for an extended period of time. Chairperson Sherwood stated the City's policy was for sales tax interruption, not business interruption, and had different exclusions.

Chairperson Sherwood noted that at the last meeting the Committee recommended a wording change relating to the general fund reserve threshold and that it is not on tonight's Board of Aldermen agenda. Mr. Christensen explained that the language suggested was just a part of the several-page policy, and he felt the entire policy needed to be reviewed. He suggested holding off on making this one change now and taking the entire policy to the Board with possibly some additional changes. Ms. Sherwood asked that the Committee review any suggested changes to the entire policy before it goes to the Board of Aldermen.

Mr. Christensen stated he has spoken with SLAIT regarding its court case on the reinsurance claim. He said he currently is not authorized to comment further, but a settlement has been reached.

## **K. SCHEDULE DATES FOR NEXT MEETINGS:**

Next Ways & Means Committee Meeting, Tuesday, September 15, 2020, 5:00 p.m.

## **L. ADJOURNMENT**

**MOTION**: Mr. Winer made a motion and Alderperson Millman seconded to adjourn the meeting. All Committee members voted "Aye".

The meeting adjourned at 4:33 p.m.