

2021 BUDGET

Honorable Mayor and Members of the City Council:

In accordance with state statute and City ordinance, I am submitting the proposed balanced budget of all general government funds for the fiscal year beginning January 1, 2021. This proposal reflects the mission, policies and operational priorities established by the City Council, and it is realistic to our core value of “Responsibility” - to manage our financial and human resources prudently and efficiently.

The budget includes projected revenues and expenditures for 13 general government funds: General, Capital Improvement, Parks, Community Center Debt Service, Streetlight, Police Forfeiture, Police Training, Sewer Lateral, Tourism Tax, Dorsett Road TIF, Beautification, Westport Plaza TIF and Reserve.

revenues and expenditures

Total 2021 budgeted revenues for all governmental funds is \$35.3 million, an increase of \$1.7 million (5.2%) from the estimate for 2020. This level of increase would normally be met with satisfaction, but we are not in “normal” times. Much of the City’s tax revenues depend on activity in office buildings, hotels, restaurants, youth and adult sports, concert venues and the casino. The uncertainty on the return to work and leisure lessens our confidence in forecasting. However, the healthy fund balances allow the City to continue a high level of service with minimal disruption.

Gaming taxes are projected to be up \$2.05 million to \$8 million in 2021, but considering the casino located in Maryland Heights (Hollywood Casino and Hotel) was closed for three months in 2020 due to the global pandemic, this projection equates to about 80% of pre-COVID-19 levels. Utility taxes and sales taxes are projected at 90% of the 2019 actual received as the economy slowly recovers. Recreation user fees are budgeted at \$1.86 million in 2021, up from \$630 thousand in 2020 as demand for recreation programs and the reopening of the City’s newly renovated water park, Aquaport, are expected to generate fees.

Intergovernmental revenues will be down due to the one-time receipt (\$1.9 million) in 2020 of federal assistance for COVID-19.

Total expenditures, all funds, in 2021 will be \$39.2 million, a decrease of \$3.9 million from 2020. However, in terms of uses of general government funds, in addition to \$43.1 million of expenditures, the City contributed \$6.2 million in 2020 toward the construction of the Centene Community Ice Center, which is accounted for as an Enterprise Fund.

The decrease in 2021 expenditures primarily relates to a decrease of \$3.5 million in the Park Fund.

2020 *in Review*

Globally, 2020 is a year that will be studied and discussed for some time as the effects of the COVID-19 pandemic are assessed. Locally, 2020 was especially challenging for the City as it faced the impact of the pandemic beginning in March, but also experienced the trauma of losing an employee in a tragic incident of workplace violence at the Community Center in February. The incident necessitated the closure of the Community Center for two weeks and facilitated changes to city operations, policies and security practices. After providing the resources to help employees and the community cope with this tragedy, staff and City Council faced the challenges presented by the pandemic.

COVID-19 has significantly impacted the City’s numerous entertainment destinations and hospitality venues including Hollywood Casino and Amphitheatre, Centene Community Ice Center, hotels and restaurants that bring thousands of visitors and tax dollars to Maryland Heights each year. These facilities are experiencing far fewer guests and in some cases, are unable to operate. These factors, as well as the decision by many of the largest employers based in Maryland Heights to have their employees work remotely from home, has greatly reduced the City’s revenues.

Additionally, the City had pre-COVID financial commitments to pay \$6.2 million toward the completion of the Centene Community Ice Center and \$5.1 million in renovations to Aquaport. These combined forces have reduced fund balances; however, a healthy Reserve Fund will enable the

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In 2020, the City invested \$5.1 million in renovations to Aquaport, the City's water park. Other expenditures for Parks and Recreation are elevated due to the return of services in 2021 that were impacted by the pandemic in 2020. Capital Improvement Fund expenditures are up \$1 million in 2021 as the City deferred certain projects in 2020.

General Fund expenditures are down \$785 thousand (3%) in 2021 in reaction to the expected economic impacts of COVID-19. Few employee travel-related training activities are provided and capital outlay has been reduced to \$118 thousand from \$509 thousand in 2020. Pay for employees will be frozen at 2020 levels with no movement on the pay scale in 2021.

At the end of 2021, the City's Reserve Fund will be over \$23 million, equal to 95% of 2021 General Fund expenditures; the City's goal is to maintain a level of 75%. The Capital Improvement Fund will decrease \$2.5 million. The fund will receive a transfer of \$1 million from the Streetlight Fund but no gaming taxes are expected in 2021 due to the continued impact of COVID-19. All gaming taxes will be distributed to the General Fund in 2021. All budgetary funds will total \$31.2 million at the end of the year of which \$3.1 million is restricted to tax increment financing activities.

2021 preview

As in years past, the City will continue to prepare for new and exciting growth opportunities. Balancing revenues and expenditures during the unprecedented Pandemic (COVID-19) of 2020 continues to challenge the financial resources of the City. Staff will continue to monitor and forecast not only the 2021 budget, but future revenue flow. Decisions will benefit the City and facilitate achievement of our objectives by providing the necessary funding allocations across all departments.

To accomplish our objectives, staff and City Council must be diligent in our actions and mindful of future budgetary commitments that may negatively influence future growth. This is especially important during the COVID-19 pandemic as we are faced with providing our residents and staff a safe and healthy environment while following the changing CDC guidelines and recommendations of the St. Louis County Executive's office. Staff and City Council are committed to controlling what they can and working within the limits placed on us by the county, state and federal governments. We understand that decisions made today must be weighed against the potential impact to the future.

The 2021 budget is structured to include funding for various programs, projects and services to improve

2021 budget summary

At the end of 2021, fund balances will amount to \$31.2 million of which \$23.2 million is in reserve. The following table provides a summary of all funds budgeted for 2021.

CITY OF MARYLAND HEIGHTS
Summary of budget-by fund
Year ended, December 31, 2021

Fund	Revenues	Expenditures	Transfers/Advances	Change in fund	Begin balance	End balance
General	23,786,820	24,041,428	254,608	0	0	0
Streetlight	458,000	486,200	(1,000,000)	(1,028,200)	2,000,000	971,800
Tourism	320,000	140,000		180,000	(180,000)	0
Capital Improvement	975,000	4,493,369	1,000,000	(2,518,369)	3,500,000	981,631
Police Forfeiture	40,000	187,025		(147,025)	180,000	32,975
Parks	6,360,000	5,559,057	(1,260,000)	(459,057)	2,200,000	1,740,943
Reserve	0	0	220,392	220,392	23,000,000	23,220,392
Sewer Lateral	375,000	250,000	-	125,000	940,000	1,065,000
Police Training	7,000	16,950		(9,950)	18,000	8,050
Beautification	11,000	16,100	-	(5,100)	18,000	12,900
Community Center DSF	0	985,000	985,000	0	30,000	30,000
Westport Plaza TIF	2,860,000	2,860,000		0	3,000,000	3,000,000
Dorsett TIF	150,000	150,000		0	150,000	150,000
	35,342,820	39,185,129	200,000	(3,642,309)	34,856,000	31,213,691

the quality of life of our residents and embrace future economic development opportunities. Among the highlights for 2021:

- Renovations to the Fee Fee Baseball Fields (formerly the Maryland Heights Athletic Association) will provide a place for children and adults to play field-based sports.
- The Sustainability Center will feature many amenities including greenhouses, a community garden and space to conduct educational programs on sustainable energy and practices. The Center will facilitate field trips to showcase sustainable energy solutions practiced at the nearby landfill operated by Waste Connections and offer community programs for youth and adults.
- Sidewalk construction will continue to enhance connectivity and accessibility for pedestrians throughout the community.
- Infrastructure projects including local and collector street improvements, annual pavement maintenance and replacement program and stormwater improvement projects.
- Design and implementation of a new financial software system to enhance efficiencies in payroll, accounts receivable/payable, purchase orders, etc.
- Ongoing support of development agreements related to an entertainment district and Maryland Park Lake District, the approximately 1,800 acres along Route 141 between I-70 and Route 364.
- The Comprehensive Master Plan will guide development decisions and policies throughout the City so we are working within a cohesive vision.

The City will continue to monitor the following potential challenges to future revenue growth and sources of funds:

- Lingering effects of the COVID-19 pandemic on entertainment and hospitality venues within the City.
- State legislation that affects existing gaming tax revenue and future approval of video lottery terminal (VLT's), sports betting and on-line wagering.
- Maturation of the local and state gaming market and long-term impact on gaming tax revenue.
- Legislation and energy initiatives that have a long-term impact on utility tax revenue.
- Market resistance to creation of new revenue sources – reliance on existing revenue sources for funding.
- Long-term development costs associated with the Maryland Park Lake District.
- Legislation and local agency approvals on development activity within the Maryland Park Lake District.

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City to maintain the high level of services that residents and businesses have come to know.

During these unprecedented times, the City continues to address three important categories: resident quality of life, municipal services, and residential and commercial development. These demands of city resources tested our leadership as the safety of our residents and staff emerged as a pressing priority amidst the threat of COVID-19. City facilities were closed to the public from March 17- June 1, 2020. Many businesses were also forced to close their doors, yet others remained open and tried to salvage what they could to continue operating.

In the category of resident quality of life, the City has undertaken numerous projects and ongoing efforts including continued trail expansion and improved access from neighborhoods, expanded and enhanced parks and recreation programming, partnered with public and private partners in the construction and operation of the Centene Community Ice Center, acquired the Maryland Heights Athletic Association Baseball Fields (Fee Fee Baseball Fields) for renovation and renovated Aquaport. These projects reflect the City Council's dedication to listening to residents' feedback through surveys and outreach efforts, as well as making Maryland Heights a better place to live, work and play.

In 2020, we have experienced some setbacks; however, we continue to move forward and have many things in the works for the future. The City was recently awarded a grant for \$850,000 for the Greenhouse, Garden and Sustainability Center project. More information about this project is included on page 3 of the Transmittal Letter and in the Capital Improvement Program.

From the standpoint of residential and commercial development, the City experienced growth in multiple areas of
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- Personnel costs and staffing challenges in a competitive labor market.
- Continued long-term impact of Senate Bill 5 and other state efforts to legislate control over Municipal Court operations.
- Demands of services on all departments, particularly Parks and Recreation, Public Works and Police.
- Long-term maintenance of city owned facilities.
- Long-term commitment to providing a backstop to the debt of the Centene Community Ice Center.

preparation and presentation

The budget is presented in six sections:

The Introduction section contains a summary of the policies and assumptions used to develop the budget. The Revenues section provides an analysis of major revenue sources. The All Funds section contains an overview of anticipated revenues and expenditures for all funds. Five-year projections for each operating fund are included, as well as a table showing all employee positions by program.

The next section is a Guide to the Budget that explains the various elements of the program budgets. The following section contains the nine departmental expenditure budgets organized into 44 programs and 15 capital projects, allowing the reader to get a view of the City's operations for the next year.

The Appendix section contains supplemental information to assist the reader in fully understanding the proposed budget, including a glossary of terms and abbreviations used throughout the budget, the adopted five-year Capital Improvement Program (CIP) for 2021-2025, the proposed Classification Plan and Pay Plan and background information about our city. The Pay and classification study will be researched and reviewed in 2021. Currently, staff salaries will be held at 2020 levels; no pay increases will be provided in 2021 due to the financial pressures caused by the pandemic.

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the City. In accordance with our vision, core values and goals, we seek out and capitalize on these opportunities. These guiding elements have enabled leadership to face adversity with different resources to achieve the same goals. The City engaged with several business during the 2020 Pandemic as they continued with the previously approved development plans. These include:

- The issuance of taxable industrial revenue bonds for the CJC Millpark, LLC project in an amount not to exceed \$15,000,000. This project entails construction of an office-warehouse complex on a nine-acre site within the Maryland Park Lake District and fosters job creation and expansion of logistic and technology uses.
 - The Flats at Dorsett Ridge, a 218-unit luxury multi-family residential complex, is under construction. The project removed a vacant, blighted private gym facility and will bring more residents to the City.
 - Day Springs Arts and Education is expanding through construction of additional classrooms, a rehearsal Hall and expanded theater.
 - Safety National, Aquaport and the Maryland Heights Fire Protection District all have projects that began construction in 2020 and are nearing completion.
 - Tristar Property Acquisitions, LLC is currently in the zoning process to create a 1.3 million square foot logistics park within the Maryland Park Lake District.
 - The Capital Improvement Plan for the five years beginning January 1, 2021 and ending December 31, 2025 will guide capital projects and manage available funds for the near future to help accommodate future residential and commercial development. (In the Appendix, you will find a copy of the projects planned for the next five years.)
 - Residential development continues throughout the City where open land is available and zoning regulations allow. The latest project is the Rose Meadow Subdivision, a ten-lot single-family residential subdivision that will bring new residents to the City.
- The City of Maryland Heights provides residents with an array of services from solid waste/trash services and recreation opportunities to sidewalks and street

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economic outlook

Although local economic factors can affect business performance, labor constraints, profitability and growth are factors of the global market that also have an influence. The negative impact of COVID-19 will be felt for many years. City Leaders are tasked with limited funding sources and analyzing future opportunities to achieve the financial outlook desired.

Maryland Heights, which is a hub for business and commercial development in the St. Louis Metropolitan Area, has been challenged by the recent events, but is still receiving strong interest in future development along with a solid residential resale market. This continued interest in Maryland Heights is encouraging; the City is hopeful that economic activity will return to pre-COVID levels once this pandemic recedes. Additionally, current unemployment rates within the City are lower than the national rate at 2.4% versus 3.7%. However, concerns remain that there will be limited job growth in the St. Louis region with a predicted rate of 26.5% compared to the national rate of 33.5%. Despite the challenges, staff remain optimistic in the economic forecast for our community.

Internal and external impacts will have to be carefully monitored as economic and market conditions continue to affect the City on both a short-term and long-term basis. Furthermore, economic conditions need ongoing monitoring relative to all city expenditures, specifically personnel cost in future years.

acknowledgements

This budget is the result of many hours of effort by many people. I want to thank the Assistant to the City Administrator, Gabby Macaluso, in the preparation of this budget document. She along with Department Directors and program managers developed the proposed program costs and performance measurements. I would also like to recognize and acknowledge the Director of Finance, Dave Watson; Assistant Finance Director, Cathy Malawy; and the Information Systems Manager, Gail Reader, for their dedication and preparation of this document. Their hard work, and commitment to the City were instrumental in the creation of this budget document. We look forward to working with the Council to finalize a budget that will provide superior municipal services in a safe and appealing setting in order to attract and retain residents committed to our city, thriving businesses and premier hospitality venues during the coming year.

Respectfully submitted,



Tracey A. Anderson, City Administrator

November 5, 2020

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construction and maintenance. While some of these amenities serve residents and others serve the larger Maryland Heights community, ensuring accessibility to quality municipal services for the entire population—residents, visitors, business owners and other guests—is critical.

The City continues to invest in capital improvement projects although due to the financial impact of COVID-19, some projects planned for 2020 were postponed. The decision to postpone projects was a difficult one that was based on careful planning and discussion of funding sources. Residents expect a high level of service including capital projects. Our plan is to be able to address the needs and prioritize projects that fit our budget during the next five years.

Overall, 2020 was a year of many obstacles. City leaders relied on one another to navigate the uncertainty and fall out from the pandemic. Each department contributed their thoughts in an effort to move the City forward despite the setbacks. From the Centene Community Ice Center to maintenance of our infrastructure to enhanced city services and programs, the City, supported by the leadership of their elected officials, continues to grow and prosper.