



WHERE COMMUNITY AND SPIRIT MEET®

April 1, 2011

Dear Mayor McDonnell and City Council Members:

The Kirkwood Charter provides that the Chief Administrative Officer shall annually submit a budget message that provides information on the proposed budget, issues facing the City, and suggestions on ways to address these issues. This message has taken various forms over the years. This year's message focuses on a narrative description.

### Executive Summary

The 2011 to 2012 Budget has been prepared with cautious optimism, given the slow economic recovery. The good news is that the economy that affects Kirkwood the most is showing measurable signs of growth. The City will still need to call on its General Fund Reserves to balance the budget. The subsidy projected last fall has been reduced significantly as sales tax estimates improved, and with an acknowledgement that proposed budgets have always been under spent.

The Budget contemplates no service reductions to the community. The Police Department has added one additional police officer to bring the department up to its historical staffing of 59 commissioned officers. Employee compensation outside of negotiated agreements will be increased by 1.5%. Other personnel costs have been stable with the exception of group medical insurance premiums, which are estimated to increase 7.5% at the conclusion of all negotiations. However, the proposed budget will fund up to a 10% increase should this amount be necessary. The City's share of premiums can vary depending on employee elections, and this can change from year to year. Next year's group medical insurance premiums are expected to be approximately \$2,159,116. Obviously, this is a major employee benefit cost.

Capital improvement funding focuses on the continuation of aggressive street repair and water main replacement schedules. The economy has created very favorable bids for capital improvements, thus allowing for additional projects to be added. It is anticipated that the bidding situation will continue, but in the interest of caution, projects will not be added at this time. Additional road and water projects will be added if funding permits.

The most difficult issue the Council will face is the need to increase electric and water rates. These decisions are always difficult. The City has been subsidizing all residents' electric bills for nearly 18 months. The funds used to pay for this subsidy come from Electric Fund reserves.

However, the reserves have been and continue to be seriously reduced. A planned 5% increase in rates must be enacted to continue the necessary rebuilding of the reserve level. Similarly, capital funds for the replacement of water mains will be depleted by fiscal year 2013. A minimum water rate increase of 10% will be needed to continue a portion of the momentum achieved thus far. Such an increase will place Kirkwood's rates at or about that of Missouri American Water Company. The increase will permit main replacement to proceed at the pre-COP funding rate. More capital is needed.

The Budget is responsive to the needs of the community and reflects prudent fiscal management. Municipal governments and services present a continuum of change, both in available revenue and in the cost of services. It is incumbent on all to work closely and be watchful of funding levels and the impact they may have on service levels.

### **Budget Message**

The purpose of this message is to provide the City Council and the citizens with a narrative overview of the budget's contents. It is very important for the reader to understand the nature of a city budget. The budget is a planning document that guides the provision of City services throughout the fiscal year. The budget should not be confused with an accounting document or balance sheet, although the contents of the budget are rolled into the City's accounting system upon its adoption.

Revenues, operations, and capital acquisitions are the three basic components of this budget. Revenues are from a variety of sources, and these sources will be discussed further on. Following a discussion of revenues will be a discussion of budget requests from City department heads. This discussion will not be all encompassing, but will focus on a brief description of the department's activities along with key issues surrounding them. Finally, there will be a discussion of major capital projects and acquisitions seen as necessary by department heads to maintain services and infrastructure long-term. Separately, I will discuss the nature and expenditures associated with the Sanitation Division and the City's two utilities. These activities are very distinct from the general services provided by Kirkwood. These activities are enterprise funds and for the most part stand independent of traditional City services.

The City's fiscal year begins April 1, 2011, but budget preparation begins as early as the previous August. The budgeting process is managed by John Adams, the Director of Finance, with considerable assistance from his staff. Department Heads are provided online information, with documents that assist them in efficiently compiling their particular portion of the overall budget. Budgets must be compiled and ready for review by the end of the calendar year.

A unique feature of Kirkwood's budgeting process is the Citizen's Finance Committee. This Committee has long standing in Kirkwood and serves as a very beneficial budgeting tool. The City Council appoints eight citizens who review proposed budgets, gain an understanding of

their contents, and formulate recommendations and an opinion. Their report is then presented to the City Council and the Chief Administrative Officer. This review is beneficial in providing a knowledgeable assessment from the taxpayer perspective. The Commission also meets throughout the year to monitor the implementation and effect of the document.

### Paying for Government - Revenue Sources versus the Economy

The many services required or desired from the City are, in one way or another, paid for by the citizens, non-residents, and businesses receiving them. The first observation that enters a resident's mind when they think about paying City taxes is the property tax, followed by the sales tax and then permits and fees. However, these are but a few of the revenue sources available to city government to pay for services. In all, there are about 70 types of revenue, both large and small. The General Fund is the most recognizable location of operating revenue. The General Fund is where all traditional City services are clustered. In total, the General Fund receives about \$18,000,000 to pay for traditional City services. These services range from the Police and Fire Departments to street repair, snow removal, and building inspections, along with many other services.

Historically, the City has only recently levied a property tax for City services. In 2007 voters approved a 34-cent tax on all taxable real estate. The voters approved the tax to help fund salaries in the police and fire departments. At that time, their compensation was significantly behind other jurisdictions, and vacancies in the ranks were taking their toll on service levels. The revenue generated by the tax directed toward salaries greatly reduced turnover and keeps it low today. A decision was made, with the public's knowledge, to direct any available money not needed for compensation toward street improvements and repair on a year-to-year basis. As the need for compensation steadily increased, the amounts used for street repairs dropped. At this point, the current levy is used totally for compensation, with nothing available for street improvements.

The levy is currently set at \$0.276 per \$100 of assessed valuation and generates about \$1,900,000. Implementation of the full voter-approved tax levy would generate an additional \$450,000 in annual revenue to keep pace with compensation, and to the extent the funds are available, it may be possible for some road improvement projects to be addressed. The next opportunity for the City Council to increase the levy to the voter-approved limit would not be until the 2013 fiscal year because of provisions in the State law. In the fall of 2010 the City Council, out of concern for the economic pressures on taxpayers, did not increase the property tax rate by an additional two cents. This opportunity presented itself by a State law provision in the taxing rules. The taxpayers avoided paying, City-wide, an additional \$140,000. This revenue could also be added back, along with the inclusion of the full citizen-approved levy, during the 2013 fiscal year. Increasing these taxes is an important component of maintaining services.

Kirkwood is fortunate to have many churches, schools, attractions, church-supported senior housing, and other social support agencies. Unfortunately, many of these facilities are exempt

under State law from taxation. This occurs in other cities as well, but expensive and valuable services do go unfunded by them. The City along with the Kirkwood R-7 School District needs to be vigilant and challenge decisions of the St. Louis County Assessor when tax exemptions are being requested.

The next easily identifiable revenue source received by the City is sales tax. Kirkwood levies a 2.25% sales tax on most retail sales in the City. Sales tax revenue has fallen for Kirkwood and for most city governments due to the recession. During Fiscal Year 2010, \$3,934,522 was collected. Quarterly sales tax reports suggest a turnaround is happening. There is little the City can do in the short-term to improve sales tax revenue. Long-term, the City should vigorously entice retail development at every opportunity through its land-use policies. A feasibility study of potential areas for businesses that generate sales tax is needed. All available development tools should be considered in this pursuit. As the economy regains its growth, sales tax becomes all the more important.

Another somewhat visible and significant taxing source for Kirkwood can be seen on all utility bills regardless of the utility. The City levies a 7.5% gross receipts tax on the consumption of natural gas, electricity (Ameren or Kirkwood), telephone, and water consumption (Missouri American Water or Kirkwood). The gross receipts tax is technically a tax on the utility, but the Missouri Public Service Commission has ruled that the utility can pass this tax directly through to the consumer on their monthly utility bill. Weather can significantly impact the consumption of water, natural gas, and electricity. There is nothing that can be done about weather so this revenue source is unpredictable. Utility gross receipts taxes generate \$3.8 M in revenue. This is considered a significant source, and the rate can only be changed by the electorate.

The last category of revenue for discussion is business licenses, permits, fines, fees, and construction-related permits. Most local governments also have this revenue source. Prior to the economic downturn in 2006, these amounted to \$874,826. This category of revenue has lagged but a gradual regrowth is becoming evident. There are other revenue sources of less significance individually, but altogether these 70+ different revenue sources fund Kirkwood services. Most of these have been affected by the economy, but Kirkwood is weathering the “storm” rather well.

## Expenditures

### Highlights of Department Budgets and Activities The Second Component of the Budget

The operating departments have not proposed nor budgeted for any service level changes. In general, the routine budget line items reflect limited increases, except in the areas relating to utilities and oil products. Department heads have paid particular attention to austere budgeting without service reductions.

The budget requests do not reflect any service reductions, so normal inflationary growth is present. Reductions in services, though, can mean reductions in the cost of City government. The City Council conducted a rigorous review of the proposed budget and may review it once more upon completion of a City-wide strategic plan to be completed in late spring 2011. The result of the planning may provide greater clarity as to how future budgets are crafted.

It will be most beneficial to the reader if I focus on the major service areas and their related costs. The topics of interest to all are police, fire, public works, and supporting services and departments. The City's electric and water utilities, as well as the City-provided sanitation services, will be a focus later in this message.

### **Public Safety**

Public safety is by far the most costly and yet the most-needed service that citizens expect from their city government. In Kirkwood, residents expect excellence. The cost of police, fire, and emergency medical service constitutes about 56% of the City's total operating budgets. These costs do not reflect pension costs, which are funded separately by a dedicated property tax. Furthermore, each of these two departments also has a capital acquisition budget that will be discussed in another portion of this report.

#### **The Kirkwood Police Department**

The police department is one of the City's largest departments, with 59 sworn police officers and 18 non-commissioned support staff. The department provides traditional patrols, a detective bureau, community services, and a juvenile officer. In addition to sworn officers, the department supervises a civilian security officer at City Hall during daytime hours, code enforcement efforts, and the operation of the Municipal Court. Patrol officers provide security for evening City Hall meetings. Several years ago the task of environmental code enforcement was transferred from the building department to the police department. This has proven to increase the effectiveness of their responsibilities. In addition to providing police services to Kirkwood residents, services are also provided to the City of Oakland under contract. The Kirkwood Police Department's Performance Measures, provided in this budget, give a good statistical representation of its activities.

However, the statistics and the budget do not reflect an intangible but very important aspect of the department and its officers: The professionalism used in carrying out their daily duties. The cost of providing police service grows steadily every year primarily due to the necessary increases in salaries. Providing a competitive salary and good working conditions is critical to attracting and keeping professional public safety employees.

Another public safety issue is police and fire dispatching. New technology will provide great flexibility for public safety use. However, technology does not ensure organizational flexibility. In order to describe the issues most clearly, bullet points will follow.

Kirkwood dispatches both fire and police. The issues are:

- The City's dispatch center is adjacent to a heavily trafficked rail line carrying a variety of potentially dangerous chemicals. This was an observation of RCC Communications consultants as a result of their study of Kirkwood communications.
- The evaluation report prepared by RCC Communications recommended that additional space be made available to the dispatch area and that it be relocated away from visibility of the general public.
- The dispatching software (CAD) will no longer be supported by their vendor after December 2011. CAD needs to be upgraded or replaced at a cost that could go as high as \$250,000, if not higher.
- Police dispatchers are both full-time and part-time, making training difficult now, and it would be even more of an issue as dispatching skills become more advanced.
- The Fire Department desires specially trained dispatchers to provide medical information while the caller is on the phone and the ambulance is on the way. The specialty is available with most dedicated fire dispatch organizations, but it is expensive and, to an extent, redundant. The software to support this level of medical dispatching is also very expensive.
- The entire dispatching function is currently and expeditiously under study. Potential alternatives are:
  - Status quo
  - Assemble contractual arrangements with surrounding cities
  - Contract with the St. Louis County Police Department
  - Contract with a dedicated fire dispatch service
  - Create a not-for-profit corporation managed by representatives of participant cities
  - Negotiate with an existing NFP service
  - Rebuild the City's dispatch center on-site or on separate property in Kirkwood

Overtime used in the police department has been discussed at great length over the last six months. Overtime is difficult to control in the police department because of their unique and variable workday. Overtime accrues to an officer by the minute or by the hour given various law enforcement-related circumstances. The use of compensatory time has been a useful tool for deferring costs. It is still used, albeit in a much limited fashion following changes to the Personnel Rules and Regulations. Payroll records indicate that more direct overtime is being requested, rather than accepting compensatory time. Consequently, I recommend that the past practices in using compensatory time be reinstated for financial reasons.

The department assigns two patrol officers to work undercover in the Federal Drug Enforcement Agency unit. It is both my opinion and that of the Chief's that such involvement is very beneficial in helping control drug-related activities in Kirkwood. Drug trafficking is all too prevalent within the St. Louis region, and Kirkwood is no exception. The greater the involvement of Kirkwood officers in such a unit, the greater the effectiveness of enforcement

they bring to bear on Kirkwood. The resources of the entire unit can be focused on Kirkwood's need if conditions warrant.

### **Fire and Emergency Medical Service**

The fire service is much more complicated than the provision of police services. Most fire departments, including Kirkwood's, operate with the practice of manning each piece of fire apparatus with a minimum of three firefighters. In Kirkwood's case the individuals are both firefighters and paramedics. There are two pumpers and an aerial bucket truck. The department also staffs two advanced life support ambulances with two firefighter/paramedics assigned to each. The foregoing equates to a minimum daily staffing of 13 firefighter/paramedics. If for any reason there are absences and the required staffing cannot be met, someone is called in on an overtime basis. Overtime, because of the 24-hour shift, is extremely expensive.

Although the provision of these services is expensive, Kirkwood's cost is one of the lowest as described on page 168 of the budget. Having said this, service levels and cost are what they are, but much higher than they need to be. St. Louis County residents pay a considerable amount for fire service in the aggregate. There are 13 municipal fire departments and 37 fire protection districts. St. Louis County covers 524 square miles. Given the number of fire departments, there is one department for every 14 square miles. Discussions have taken place in the past numerous times by government officials on the need to consolidate. There has been no support for change by fire chiefs or citizens. Kirkwood needs to seek opportunities to cooperate or contract for services, but the main focus will need to be on controlling costs within the City's budget.

There are several issues that concern the fire department and most revolve around dispatching. The technique and disciplines desired to dispatch police and fire are quite different. Given that the City's combined dispatch center is supervised by the police department and their discipline is police dispatching, the fire department finds the service to be lacking for their purposes. The growing emphasis on medical services and the use of specially trained personnel to support medical calls for service is quite different. Trained medical emergency dispatchers use special software to assist them. Such a program is considered to be the most effective method of medical response.

The several dedicated fire dispatch centers strategically located in the county have the desired skills and technology, but the expense is significant. Such a change does nothing to reduce the police dispatching cost. Given the lack of justification and supporting information, along with a way to fund it, I don't recommend it.

Kirkwood Fire Department has been responding to a diminishing number of structure fires, but at the same time medical calls have significantly increased. Although the fire chief would disagree, a good case can be made for reducing the size of the fire service and increasing the

capabilities of providing even greater medical service. This approach needs to be studied much more carefully and certainly there would be a greater reliance on surrounding departments and districts in the event of significant fires. I don't recommend this course of action at this time, but I do recommend that it be studied.

The need for three fire houses in Kirkwood has been seriously studied in the past. There was a conclusion reached that Firehouses #1 and #3 could be closed if a new firehouse could be built in or near Kirkwood Park near Adams Avenue. However, there would be little operational cost savings unless an engine company was eliminated and the abandoned stations sold. The catch in this scenario is the reduction of an engine company. I concur in that observation and perhaps the time has passed to consider this practical. The impediment in my opinion is political and not structural. The management and firefighter/paramedics are some of the finest in the county and the concerns I have expressed should not be construed as criticism in any respect.

### Electric Department

The issues with electric service in Kirkwood have been discussed extensively over the past several years. Kirkwood Electric is a reseller of retail electricity. Most business' goal is to buy low and sell high. In Kirkwood Electric's case, power has been purchased high and sold low. This comes about due to market conditions and the wholesale power rules that are now present. The issues are complicated and continue to evolve.

The significant topics are:

- Wholesale power cost escalation
- Customer electric service subsidy
- Search for options available to purchase the least costly power
- Electric Fund reserve level
- Retail rates
- Retail rate structure
- Distribution system upgrade
- \$1,000,000 maximum dividend to the General Fund

It is a given that Ameren's price for wholesale electricity is approximately \$65/MW. Kirkwood previously had a full service contract with Ameren/UE that provided for \$35/MW. This contract expired on December 31, 2009. Kirkwood has been absorbing the differential since that time. Customers in all categories are being subsidized significantly. The planned subsidy of retail rates has drawn the Electric Fund reserves down from \$20+ million to as low as \$13 million, with further reductions apparent. Rate restructuring and rate increases are projected to gradually restore the reserve to its January 2010 level, if enacted by Council.

The restoration of the reserves is projected with the assumption that the current rate structure is continued and a 5 percent rate increase is made annually by the City Council. The reserve, given these assumptions, will be considered appropriate within the next few years. The

Citizen's Finance Committee has stated in the past that the reserve level should not be allowed to drop lower than one year's operating cost.

The City Council should decide what the appropriate rate of return is that should be expected from the Electric Department. Establishing retail rates solely on Ameren's rates is misleading. Electric rates are very complicated and at various times Ameren may be lower and at other times Kirkwood may be lower. The Public Service Commission sets Ameren's rates 11 months after an increase is filed with them. During the intervening period Ameren's rates may well be lower than Kirkwood's, but that may change if the PSC grants the requested rate increase to Ameren. Rate comparisons are like "hop scotch": They go back and forth at any given time.

The dividends provided of up to \$1 million annually from the Electric Department's operating revenue have been questioned over the years. I believe a transfer (a dividend) to the general fund and to the community is very appropriate. This transfer supports many services that all of Kirkwood residents receive. Admittedly, there is an equity issue, but in reality it cannot be remedied. I do recommend that some formula be set that is tied to an indicator of the department's operation. Consequently, the transfer could vary up or down from year to year. This formula would require very careful crafting. Practically speaking, the transfer cannot be eliminated without significant and severe impact on the services provided from the General Fund.

Recently, some customers may have experienced a significant increase in their electric bill. Generally, the increase has affected larger institutions such as St. Louis Community College at Meramec and similarly sized customers. However, residential users who use considerably more than the average due to the size of their home, its insulating qualities, or the use of electric heat may have felt this impact as well. In the past, it was Kirkwood's practice to discount rates during winter months. Such a discount, should it be provided, only adds another customer subsidy on top of the current ongoing subsidy. Kirkwood charges customers 8 cents per kilowatt hour (kwh) 12 months of the year. On the other hand, Kirkwood's cost to deliver power is 9.8 cents per kwh. The City continually looks for sources of cheaper energy, and some have been located and should be available yet this year. Hopefully, this will help moderate the cost to our customers. One thing for sure is the cost of electricity will continue to increase regardless of who sells it, both in Kirkwood and throughout the United States.

The electric distribution system is reliable, but it still needs continuous improvement. Aggressive tree trimming on a three-year cycle has proven very successful. Fortunately, not all of the amounts budgeted for FY11 have been spent due to storms and breaking limbs. New substation equipment and the substation being built at Aberdeen Heights will not only serve this development, but it will greatly enhance reliability throughout the system. The conversion of the 4 KV distribution circuits to 12 KV will eventually provide greater reliability along with less line loss and consequently lower operating costs. The conversion is proceeding, but very deliberately. The two voltage system and any upgrades need to be engineered carefully to provide reliability. The voltages cannot be mixed. These improvements are funded annually

from operating revenue because they do move slowly and consequently, borrowed funds have little purpose.

A summary of my recommendations is as follows:

- Aggressively pursue lower wholesale power sources. I am removing the budget item of \$900,000 for alternate power opportunities. Funds for these opportunities will be provided by an appropriation ordinance, if and when they present themselves.
- Phase out the process of retail subsidy. Should significantly higher wholesale costs create a customer affordability matter and a subsidy is agreed upon, its phase out must be carefully preplanned.
- The reserve levels need to be increased to one year's operating expenditures. This need has been supported by several past Citizen Finance Committees. Consequently, a 5 percent retail rate is being proposed.
- Continue at a deliberate pace the upgrading of the distribution system.
- Consider the Electric Department as a business, and set rates as needed to maintain its financial viability. Ameren's rates may be of some interest, but they are not useful for comparison purposes and should not be used as such.

### Water Department

The City's Water Department, similar to the Electric Department, purchases water at wholesale prices and distributes it throughout the entire City of Kirkwood at retail. The difference is the City has only one water supplier, and there is a long-term contract that allows for cost predictability. The supplier is the Missouri American Water Company.

The Water Department has embarked on an aggressive main replacement program, as well as the replacement of the deteriorated Rose Hill water tower. More than \$5.5 million will have been spent on these projects by summer 2012. These projects were funded by proceeds from the issuance of Certificates of Participation. Those funds must and will be spent by the end of 2012, significantly ahead of schedule.

In subsequent budgets this funding will have been totally expended and principal and interest expenses will need to be paid out of the Water Department's annual operating budget. From that point forward, there will be a very small amount of capital funds remaining, estimated at \$135,000. The available funding will then be needed to paint tanks, replace trucks, and acquire needed equipment and supplies. The momentum of main replacement should not be lost. To continue replacements at any level will require increases in retail water rates. The rates should be discussed and implemented by April 2011.

Customers find it difficult to understand the need for main replacement and the significant cost to replace them. For both water and sewer infrastructure, residents may have problems understanding what cannot be seen. As long as clean water comes out of the faucet, the belief may be that the pipes needed to reach that point are acceptable. I have two recommendations in addition to just increasing rates. First, the rates and related costs should be itemized on customer utility bills so that a portion of the increase pays for department operations and another line-item reflects the amount needed for water main or capital replacement. Second, we should begin an aggressive informational campaign explaining the value of Kirkwood owning the water system and explaining the real need for infrastructure replacement. In addition, consider the Water Department as a business, and set rates as needed to maintain its financial viability. Missouri American's rates were increased 14% on July 1, 2010 and their ESRS will shortly add an additional 3.5% for infrastructure replacement. This may be of some interest, but they are not useful because Kirkwood's infrastructure goals are different from theirs.

A shelter for Water Department vehicles has been in a proposed budget before, but a more comprehensive building had been proposed. This year's budget contains a shelter of more modest proportions. The sheltering of trucks and equipment that must be ready to go at any time and in any weather is important, and these trucks and equipment are in need of better protection than they are receiving. However, as much as I believe in this last statement, I cannot recommend this expenditure at this time. Water mains are a priority and a more comprehensive building is needed, not one that is marginal.

Documenting main locations throughout the City is a slow and tedious process that involves both technology (GPS) and field location. The department has many drawers of maps dating back decades that represent the location of water mains throughout the City. These are inflexible to use and subject to deterioration. Unlike electric lines, the mains and valves are underground or hidden and are not as evident without a great deal of investigation. Additional research into how this process could be expedited must be undertaken.

### Sanitation

The City's sanitation service is one of the most visible and beloved services provided by the City. There is nothing more personal to a resident's heart than great trash service. The City's service is excellent because the City hires great sanitation employees and provides them with the best equipment. The past approach to sanitation pick-up has lacked a curbside recycling service.

Kirkwood's service charge for sanitation, recycling, and yard waste varies in its competitiveness with other cities. While there are few complaints about cost, the cost can and should be reduced wherever possible. The special pick-up program is fee-for-service. It is well accepted, aesthetically acceptable, and very fair and should not be changed. What should be changed is the method of collecting recycling and eventually household waste. The current procedure is

expensive, slow, and dangerous. The implementation of automated one-person trucks must be pursued if costs are to be reduced. Experimentation is planned next summer. Automation must be implemented, if for no other reason than employee safety. There have been too many accidents and injuries, including a death, to not recognize that this is a very dangerous occupation. There are a few downsides, but not many. The goal must be safety, service, and affordability. This goal cannot be attained too soon.

### Park & Recreation Capital Sales Tax Fund

I have no comments or concerns about how these funds should be used. Historically, these funds have been used wisely and for their intended purpose. While the funds are subject to the full control of the City Council, the use has been dictated by the Kirkwood Park Board. I see no professional problem with this relationship. The philosophical issue is how much control or independence should be given to the Park Board by the Council.

The Citizen's Finance Committee commented on the existence of some form of barrier between the work conducted by the park maintenance crew and the City's public works department. The public works department is ready to cross boundaries where possible for the purpose of reducing taxpayer costs or just for greater efficiency.

### Recreation

The Recreation Department functions very professionally. The programs, not counting capital or overhead, are financially self-supporting and the Director continues to seek cooperative arrangements that enhance the offerings and avoid costly duplication. The ice rink and aquatic center remain competitive in quality with other opportunities. The Community Center is well maintained, but it is old and has functional obsolescence. At some point, the community needs to be asked if they concur and are willing to provide financial support to support a major rebuilding project. It has been suggested that an enclosed aquatic center is needed. An enclosed aquatic structure would offer some benefits to the Kirkwood community, but at a very high cost. A cooperative arrangement with the City of Des Peres should be investigated before any further discussion is entertained. If this is not done, the potential exists that, at some time in the future, a very expensive duplication of service and cost could take place.

### Administration and Support

The category of administration and support is very broad. Administration and Support contains the functions of the City Clerk, the CAO's office, Public Information, and Purchasing as well as the subcategories of Human Resources, IT, Safety Management, and Finance. Many of these categories could be the subject of individual assessment, but it also has value to look at this

grouping as a whole. These categories are easily overlooked due to the relatively small cost involved, but they are extremely important since they have organization-wide implications.

The use of technology for policy making is falling behind, and some form of laptop or iPad approach to communication in all facets of Council activities needs to be investigated. The City has been neglectful of visual communication in the Council Chambers. Overhead projectors, multiple screens, and appropriate use of cameras and video are funded in this budget. One of the most important aspects of municipal government is citizen communication. The appropriate level of communication starts with a presentation at a Council or Planning Commission meeting. Technology needs to be explored. These are one-time costs with long-term benefit.

The legal impact of human resource management, and the cost of benefits, requires administrative support like never before, and the complications continue to grow due to federal law. Failure to follow the prescribed rules has legal ramifications and ultimately significant costs. Human Resources receive general oversight by the Assistant Chief Administrative Officer. In this department labor negotiations take place, benefits are negotiated, worker compensation issues are managed, the safety program is managed, and property casualty insurance is negotiated.

The Finance Department is managed by the Finance Director who is a CPA and experienced in government accounting. The Director is supported by equally qualified assistants. The City routinely receives the Certificate of Excellence in Financial Reporting awarded by the Government Finance Officers Association. The department is also responsible for billing and collecting from approximately 10,000 customers each month for electric, water, sanitation and ambulance service.

### **Public Works Department and Engineering**

The Public Works Department is the second largest department in the City. The Engineering Department coordinates the bidding process for all road and bridge projects. Private contractors are used through the bidding process to carry out new construction. The engineering section reviews development plans, administers the zoning code, and manages other related compliance matters. Another division that technically reports to the Public Works Director is the Building Commissioner's Office, with traditional functions such as inspections, plan review, and sign code review.

The Street Division removes snow, installs signs, repairs streets and bridge roadways by crack sealing, and performs other measures to maintain safe and well-conditioned streets. The total budget for this activity is \$1,715,859. The largest single function managed by the Public Works Director is the City's sanitation service. The service is billed to customers monthly for curbside sanitation and recycling pick up. Yard waste and bulky pick up is fee-for-service. The division has a limited number of commercial customers.

Each department or division compiles Performance Measures and data that are shown throughout the budget. Readers are encouraged to review this detailed information, which is also located on the City's Website at [www.kirkwoodmo.org](http://www.kirkwoodmo.org). Similarly, priority listings of current projections of streets and water main replacement are an attachment to this message. In reviewing this data, please be aware that priorities and costs may change as circumstances warrant.

### **Major Capital Projects and Acquisitions**

Capital expenditures are a part of every city budget. Kirkwood's capital is funded through a capital improvement sales tax. This sales tax is levied on all sales within the City at 1.0%. Half of the revenue received is dedicated to General Government capital improvement and the other half to park and recreation improvements.

The following is a summary of major areas of capital expenditure.

#### Information Technology

- \$265,000 – Funds are needed to replace and upgrade computer hardware. Much of the equipment is nearly a decade old, which is a lifetime for technology. The City runs on computer hardware, software, and networks. Equipment failure or slow response times cut deeply into productivity. This budget begins a move toward using Microsoft Web-based operating software. Employees will find it more productive using software that they use in their personal lives. More importantly, it will allow for a significant reduction in the number of PCs that must be maintained. This is an important cost-saving measure.
- Street Department  
\$1,380,000 – The street improvement program is one of the most costly of capital projects. Asphalt repaving is budgeted at \$680,000 and concrete at \$700,000. Specific projects are:

#### Concrete streets for FY12 include:

- Stable Ridge Drive
- Sunny (Twin Pines to Stable Ridge)
- Twin Pines Drive
- Carolyn Avenue (north of Nirk Avenue)
- Taylor Avenue (Quan Avenue to Manchester Road)
- Ann Avenue (Windgrove Avenue to Couch Avenue)
- Kings Cliff Road (Sunny to Twin Pine)

#### Asphalt Overlay

- Couch Avenue (Craig Avenue to Woodbine Avenue)

- Couch Avenue (Woodbine Avenue to UPSF RR tracks)
- Couch Avenue (UPSF RR to Adams Avenue)
- Couch Avenue (Big Bend Road to Rose Hill Avenue)
- Couch Avenue (Rose Hill Avenue to Craig Drive)
- Edna Avenue
- Fillmore Avenue (Woodbine Avenue to Scott Avenue)
- Harrison Avenue (Adams Avenue to Essex Avenue)
- Harrison Avenue (Rose Hill Avenue to Grand Avenue)

The Holmes Avenue reconstruction project jointly pursued with the City of Oakland will begin construction during FY12. This project when completed will have received 80% of the cost back from the federal government. The City's share of the cost prior to the grant recovery will be \$972,000.

- Police Department  
\$160,260 – The department will purchase patrol vehicles, administrative vehicles, and two undercover leased vehicles. The total anticipated acquisition of patrol vehicles has historically been four vehicles.
- Fire Department  
\$125,000 – A replacement extrication tool, a replacement command vehicle, and replacement fire hose will be purchased.
- Public Works and Purchasing/Electric Security  
\$246,000 – Electronic locks, alarms, cameras, and perimeter fencing. This amount is being placed in the capital budget in anticipation that a comprehensive security review takes place. Until such time, no acquisition of equipment will take place. The cost of this capital is split between the Electric Fund, Water Fund, and the Capital Improvement Fund.
- Electric Department  
\$290,000 – Included in this amount are transformers, insulators, wire, pole replacement and related distribution equipment to continue the voltage conversion from 4kV to 12kV where possible. Also included in this budget is the Electric Fund's portion of the proposed security upgrades.
- Water Department  
\$4,766,670 – The vast majority of the funds appropriated will be directed at the completion of the Rose Hill water tower, and a continuation of an aggressive water main replacement program. The remainder of the funding will be used to purchase a \$135,000 water distribution repair truck and to fund a portion of the building repairs to 212 S. Taylor as well as the Water Fund's portion of the proposed security improvements.
- Sanitation Department  
\$80,000 – A \$25,000 cardboard compactor will be acquired, and the remainder will fund the Sanitation Department's share of the proposed security measures.

## Conclusion

In a time of economic crisis and into a recovery, the City of Kirkwood has and is weathering the times well. Kirkwood residents deserve the highest quality services that the City can supply with available and prudently managed tax dollars.

I want to take this opportunity to thank all department heads for a lot of hard work over the past seven months to prepare this budget. The Citizen's Finance Committee also worked very hard, alongside department heads, and their contributions have been invaluable. I want to give a special thank you to Director of Finance John Adams and Assistant Finance Director Sandy Stephens for a fantastic effort in keeping this project on track.

Respectfully,

A handwritten signature in black ink that reads "Mike Brown". The signature is written in a cursive, flowing style.

Michael G. Brown  
Chief Administrative Officer