

2023 BUDGET



City Of
Maryland
Heights



2023 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, 2023. 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 14 general government funds: General, Capital Improvement, Parks, Community Center Debt Service, Streetlight, Police Forfeiture, American Rescue Plan, Police Training, Sewer Lateral, Tourism Tax, Dorsett Road TIF, Beautification, Westport Plaza TIF, and Reserve Fund.

Revenues and Expenditures

Total 2023 budgeted revenues for all governmental funds is \$39.9 million, an increase of \$1.5 million (4%) from the estimate for 2022. \$1.2 million (79%) of the increase relates an anticipated increase in sales and gaming tax revenue. The budget plan includes use of \$2.2 million of federal assistance related to the American Rescue Plan Act. Please see the introductory section, “American Rescue Plan” for additional details.

Much of the City’s tax revenues depend on activity in office buildings, hotels, restaurants, youth and adult sports, concert venues and the casino. After a couple of difficult years due to circumstances surrounding the COVID-19 Pandemic, the local economy rebounded in late 2021 and through 2022 and revenues by the end of Fiscal Year 2022 were expected to be close to pre-pandemic levels. The 2023 revenue anticipates a nearly full recovery in revenue collections. The City has purposely accumulated a healthy fund balance through intentional savings during good economic times. These reserves allow the City to continue a high level of service with minimal disruption during economic downturns.

Gaming taxes are projected to be up approximately \$200,000 to \$9.28 million in 2023 compared to 2022 year end estimates of \$9 million. This projection is 93% of levels seen pre-COVID-19. Utility taxes and sales taxes are projected at 99% of the 2019 actual received as the economy continues to recover. Recreation user fees are budgeted at \$2 million in 2023, up from the \$1.7 million projected in 2022. The demand for recreation programs attendance at Aquaport, and the

community center are expected to generate additional revenue as activity continues to increase from low levels in 2020 and 2021 due to the Pandemic.

Intergovernmental revenues will be up significantly due to several grants that serve as one-time revenue sources. The intergovernmental revenue includes a federal grant of \$630 thousand to offset construction costs related to rehabilitation of Fee Fee Road and \$820 thousand to offset construction costs related to the rehabilitation of Adie Road.

Total expenditures, all funds, in 2023 will be approximately \$45 million, an increase of \$5.9 million from the estimated \$39 million in 2022. \$3.5 million of the increase relates to expenditures for Capital Projects. The remaining 1.8 million will be offset by the ARPA Funds and transferred to the General Fund for residential trash hauling expenses.

General Fund expenditures are up \$2.4 million (10%) in 2023. \$1.6 million of the increase relates to higher personnel costs. The 2023 Budget was prepared with a 5% market adjustment for all full-time employees. Other operational increases are anticipated as certain expenditures such as travel for professional training were limited in 2021 and 2022 as a reaction to the economic impacts of COVID-19.

Capital Improvement Fund expenditures are expected to increase \$3 million (38%) related to various road, equipment, and stormwater projects that were delayed or slow to start due to the effects of the Pandemic. Park Fund expenditures are projected to be \$780 thousand, 16% higher in 2023 than 2022. Expenditures will rise \$4.9 million from 2022 to \$5.7 million in 2023. The majority of the increase in the Park Fund relates to higher operational costs due to the expected higher demand for recreation and facility use in 2023 and an increase in personnel costs due to the 5% market adjustment.

At the end of 2023, the City's Reserve Fund will be approximately \$29 million, equal to 110% of 2023 General Fund expenditures; the City's goal is to maintain a level of 75%. The Capital Improvement Fund will decrease \$3.5 million as planned project expenditures are expected to exceed gaming tax and grant funding. All budgetary funds will total \$35.5 million at the end of the year of which \$3 million is restricted to tax increment financing activities.

2023 preview

As in years past, the City will continue to prepare for new and exciting growth opportunities. While tax revenues have started to bounce back, they are still behind levels seen previous to the Pandemic (COVID-19). Balancing revenues and expenditures continues to challenge the financial resources of the City. The receipt of federal assistance from the American Rescue Plan Act for revenue losses incurred during the Pandemic has provided the City staff time to monitor and forecast not only the 2023 budget, but future revenue flow.

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. We understand that decisions made today must be weighed against the potential impact to the future.

The 2023 budget is structured to include funding for various programs, projects, and services to improve the quality of life of our residents and embrace future economic development opportunities.

2023 Budget Summary

At the end of 2023, fund balances will amount to \$35.5 million of which approximately \$29 million is in reserve. The following table provides a summary of all funds budgeted for in 2023.

CITY OF MARYLAND HEIGHTS
Summary of budget-by fund
Year ended, December 31, 2023

Fund	Revenues	Expenditures	Transfers/Advances	Change in fund	Begin balance	End balance
General	24,384,572	26,254,471	2,318,549	-	-	-
Streetlight	495,000	492,200	-	2,800	1,177,485	1,180,285
Tourism	320,000	300,000	-	20,000	1,003	21,003
Capital Improvement	4,231,000	7,796,426	-	(3,565,426)	1,038,507	(2,526,919)
Police Forfeiture	100,000	114,200	-	(14,200)	100,946	86,746
Parks	7,037,000	5,768,998	(1,260,000)	8,002	3,662,259	3,670,261
Reserve	-	-	(520,350)	(520,350)	29,180,864	28,660,514
American Rescue Plan	-	-	(2,218,549)	(2,218,549)	2,218,549	-
Sewer Lateral	375,000	266,133	-	108,867	1,136,974	1,245,841
Police Training	7,000	5,800	-	1,200	1,899	3,099
Beautification	16,000	15,000	-	1,000	62,911	63,911
Community Center DSF	-	979,160	985,000	5,840	29,769	35,609
Westport Plaza TIF	2,680,000	2,600,000	-	80,000	2,360,426	2,440,426
Dorsett TIF	332,000	150,000	-	182,000	474,989	656,989
	39,977,572	44,742,388	(695,350)	(5,908,816)	41,446,581	35,537,765

Among the highlights for 2023:

- The Sustainability / Interpretive Center will provide a 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.
- Capital Improvement Program (CIP) projects including local and collector street improvements to Fee Fee and Adie Roads. Additional Capital Improvements planned for 2023 include annual pavement maintenance and equipment replacement program, various stormwater improvements, sidewalk construction, and parking lot maintenance at the Government Center.
- 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:

- State legislation that affects existing gaming tax revenue and future approval of video lottery terminals (VLT's), sports betting and on-line wagering.
- Local and state gaming market and long-term impact on gaming tax revenue.
- Personnel costs and staffing challenges in a competitive labor market.
- Long-term commitment to providing a backstop to the debt of the Centene Community Ice Center.
- 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.
- Legislation and local agency approvals on development activity within the Maryland Park Lake District.
- 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.

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 Summary 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 User’s Guide that explains the various elements of department and program budgets. These sections contain the ten departmental expenditure budgets organized into 41 programs and 19 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 2023-2027, the proposed Classification Plan and Pay Plan and background information about our city.

Economic Outlook

As a city with a diverse economy, we have remained well balanced even with the negative impacts of COVID-19 and staff remain optimistic in the economic forecast for our community. Current unemployment rates within the City of Maryland Heights stand at 2.2% which is lower than the National and State rates at 3.7% and 2.4% respectively, and slightly above the St. Louis County rate of 1.8%. Concerns remain that job growth will remain slow in the region, however, current data suggests employment has recently increased and will continue to increase as the pandemic continues to diminishes.

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. Focus has intensified in the Maryland Park Lake District as developments continue. This growth is creating temporary and permanent employment throughout the region. This continued interest in Maryland Heights is encouraging; the City is hopeful that economic activity will continue to grow over the next year to pre-COVID levels.

The reliance of long-term funding sources needs to be monitored closely as those funding sources are not as reliable as they once were. The economic conditions continue to affect the City on both a short-term and long-term basis. Furthermore, the costs of doing business continues to increase. Economic and market conditions need ongoing monitoring relative to all city expenditures, specifically personnel cost in future years.

2022 in Review

Globally, COVID-19 has significantly impacted the City’s numerous entertainment destinations and hospitality venues including Hollywood Casino and Amphitheatre, Centene Community Ice Center, Saint Louis Music Park, as well as many of the hotels and restaurants that bring thousands of visitors and tax dollars to Maryland Heights each year. These facilities have

experienced far fewer guests than in years prior to COVID-19. These factors, as well as the decision by many of the larger employers based in Maryland Heights to have their employees work remotely from home, continues to greatly reduce the City's revenues.

Maryland Heights made Fortune's "Top 25 Best Places to Live for Families List". Fortune recently evaluated nearly 2,000 cities and towns that had between 25,000 and 750,000 residents across all fifty states. Maryland Heights is happy to announce our placement at #19 on their "Top 25 Best Places to Live for Families" list!

The goal for Fortune Magazine was to seek out places that offered high-quality amenities with communities that provided a "hometown feel." They sourced data from several locations, including: the Centers for Disease Control and Prevention, the Centers for Medicare and Medicaid Services, the Environmental Protection Agency, the Federal Bureau of Investigation, the Federal Emergency Management Agency, the National Center for Education Statistics, the National Center for Health Statistics, the U.S. Department of Agriculture, the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the U.S. Department of Education and many other private-sector data partners.

The ranking is focused on families, specifically those of the "sandwich generation" (Americans who have the responsibility of raising children while caring for aging parents). Fortune put emphasis on factors such as the quality of the local school districts, graduation rates, the number of quality nursing homes, and access to solid health care providers. They were also looking for cities where home sale prices were affordable and highlighted diverse communities. There were no more than two locations chosen per state and among the top 25, no more than one winner per county or major metro area.

This recognition reaffirms our commitment towards providing a safe, vibrant, supportive community for all our residents, so that we can be a city where people truly want to live for years to come. We strive to earn an even higher spot on future lists such as this one, and are thrilled to be recognized by Fortune for our efforts!

In the category of resident quality of life, the City has undertaken numerous projects. Ongoing efforts include continued work on the Sustainability Center located next to Pattonville High School. This facility will be a nucleus for Environmental Education for many decades to come. Additionally, we are pleased to have a great partnership with Ameren which is building Solar Covered Panels on the parking lots between Aquaport and the Community Center. These panels will collect energy that will feed back into the grid for the residents of Maryland Heights.

In addition, Ameren is working to create a renewable Energy Center next to the Sustainability Center which is located on Creve Coeur Mill Road. These projects reflect the City Council's

commitment to making Maryland Heights a better place to live, work and play. The comments provided by our residents are extremely important as they help facilitate stability and future growth for the City of Maryland Heights.

The City of Maryland Heights has continued to witness growth and development during the past year in both residential and business development. The Community Development and Economic Development Departments are busier than ever as evidenced by the following projects:

*Neo Vantage Point, 266 luxury apartments including a parking garage, is set to be constructed near I-270 & Page Avenue with an estimated construction cost of \$54 million.

*NorthPoint's Riverport Logistics Park located within the Riverport Business Park, encompasses a total of approximately 591,000 square feet over three buildings with an estimated construction cost of \$37 million.

*364 Logistics Center-NorthPoint Development logistics center on 365 acres located west of Sportport and north of Creve Coeur Airport. Five office-distribution buildings are proposed for a total of 1.9 million square feet.

*Arbor Hills-Multi-Family Residential District to "PDR" Planned District - Residential to demolish the 70 existing County Housing Authority apartments at 133 Grape Avenue to construct 68 multi-family residential units, in 12 buildings. The development would also include a clubhouse and playground for residents.

*Chick-fil-A a new fast food restaurant at the former Steak 'n Shake with a dual drive-through and indoor and outdoor seating. The drive-through would be capable of stacking up to 52 vehicles on site.

*CWP Westport I, LLC- Residential to convert of the existing extended stay hotel, Sonesta Suites, to multi-family residential apartment units.

*O'Reilly Auto Parts Automotive Store on 102 Old Dorsett Road.

*River Valley Commerce Center- three office-distribution buildings totaling 1.1 million square feet of floor area.

*The Watering Bowl -a dog day care facility with overnight boarding in the existing building at 40 Weldon Parkway

*Curio Wellness Corporation (with Brands RE MO, LLC) - integrated medical cannabis company.

*QuikTrip Corporation - a new store further west on Lackland.

*Bamboo Dorsett, LLC owns the property at 11737 Dorsett Road and will construct an 11,000 square foot office/warehouse building.

*KMOV intends to relocate their offices and studios from downtown St. Louis

*Toro Energy of Missouri-Champ LLC construct a facility which would capture gas from the adjoining landfill and convert it to natural gas for distribution through the existing pipeline.

*Bastian Solutions is constructing a 140,000 square foot building to expand their operations (currently located at 2200 Forte Court in Maryland Heights

*Maryland Park Commerce Center, a 1.3 million square foot logistics park within the Maryland Park Lake District, is currently under construction off River Valley Drive.

*Creative Testing Solutions, in partnership with the American Red Cross, is constructing a two-story 124,000 square foot laboratory/office building with a two-story parking garage with an estimated construction cost of \$19.9 million.

*WWP, LLC (c/o Lodging Hospitality Management Corp) a multi-family residential building with a podium parking garage in a portion of the existing parking lot at 1300 West Port Plaza Drive. The building would have a total of 254 units.

The Capital Improvement Plan for the next five years beginning January 1, 2023 and ending December 31, 2027 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.)

The City of Maryland Heights provides residents with an array of amenities and services such as solid waste/trash services, recreation opportunities, sidewalks and street construction/maintenance and much more. While some of these amenities primarily serve residents, others ensure accessibility to quality municipal services for the entire community. This has and remains a goal to provide these services to all our residents, visitors, business owners and other guests.

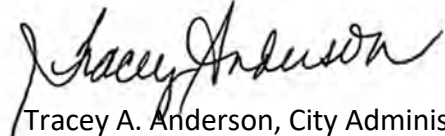
Overall, 2022 was a year of many challenges. Despite the setbacks we experienced, each department continued to share their opinions and ideas in an effort to move the City forward. Challenges such as limited professional development and travel, finding new means to support our business community, the staff shortages felt throughout the area, the navigation of the first full concert season at both Hollywood and the St. Louis Music Park, and the continued maintenance of our infrastructure tested our ability to provide enhanced city services and programs. The City, supported by the leadership of their elected officials, continues to grow and prosper.

Acknowledgements

This budget is the result of many hours of effort by many people. I specifically want to thank Danielle Oettle, the Director of Finance; Gail Reader, Information Systems Manager; Trisha Hall the Communications Manager as well as the Department Heads and their teams for their

dedication in the preparation of this budget 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 outstanding municipal services in a safe and appealing setting in order to attract and retain residents committed to our city, to facilitate thriving businesses and remain a premier hospitality venue throughout the coming year.

Respectfully submitted,



Tracey A. Anderson, City Administrator
November 15, 2022