

2024 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, 2024. 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.

Revenues and Expenditures

Total 2024 budgeted revenues for all governmental funds is \$43.7 million, an increase of \$1.9 million (4.6%) from the estimate for 2023, without accounting for the revenue from the American Rescue Plan Act that was received in 2021, 2022, and 2023 and is no longer available in 2024. \$875 thousand of the increase relates to an anticipated increase in sales and gaming tax revenue. Additionally, \$250 thousand in marijuana sales tax revenue is budgeted for in 2024. The voters approved the new marijuana sales tax in the spring for 2023, after marijuana was legalized for recreational use in 2022. Approximately, another \$500 thousand is included in the 2024 budget as a one-time payment from a telephone utility tax litigation suit awarded to the City in a Class Action Settlement.

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 most revenue sources by the end of Fiscal Year 2023 are expected to exceed or be close to pre-pandemic levels. The 2024 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 \$550,000 to \$9.83 million in 2024 compared to 2023 year end estimates of \$9.28 million. This projection is 98.5% of levels seen pre-COVID-19. Utility taxes and sales taxes are projected at 105% and 113%, respectively, of the 2019 actual received as the economy continues to recover and inflation continues to rise. Recreation user fees are budgeted at \$2.46 million in 2024, up from the \$2.1 million projected in 2023. The demand for recreation programs is expected to continue and an increase in attendance at Aquaport and the community center are expected. The anticipated increase in attendance will generate additional revenue as activity continues to rise from low levels in 2020 and 2021 due to the Pandemic.

Intergovernmental revenues will decline significantly due to smaller capital projects paid for by grants in the Parks Department in 2024 compared to 2023 and due to the spend down of American Rescue Plan Act Funds (ARPA) received and utilized in 2021, 2022 and 2023. In 2024, the City will not be able to rely on the ARPA funds (the funds the City received from the Federal Government for replacement of lost revenue due to the pandemic). The intergovernmental revenue includes a federal grant of \$820 thousand to offset construction costs related to rehabilitation of Adie Road and \$89 thousand to offset construction costs related to the improvements at Parkwood Park.

Total expenditures, all funds, in 2024 will be approximately \$43.7 million, a decrease of \$800 thousand from the estimated \$44.5 million in 2023. \$500 thousand of the decrease relates to expenditures in property restoration that occurred as the result of a flood in 2022 and the related expenditures for these repairs in 2023. The remainder of the decrease in expenditures is a result of less capital projects budgeted for in 2024 compared to 2023.

General Fund expenditures are up \$1.3 million (5%) in 2024 and are mostly related to an increase in personnel costs. The Budget was prepared with a 3% market adjustment in salaries for all full-time employees. Other operational expenditure increases are anticipated costs associated with employee benefits and the increase in the cost of commodities due to inflation.

Capital Improvement Fund expenditures are expected to decrease by \$887 thousand (18%). The decrease is related to a large project for the City's Sustainability Center that was completed in 2023 and expenditures related to the project will not be recognized in 2024.

Park Fund expenditures are projected to be \$7.5 million, and 1% lower than the 2023 year-end estimate. While the Parks Fund operational budget increased compared to 2023, the capital projects planned for the parks department will decrease in 2024.

At the end of 2024, the City's Reserve Fund will be approximately \$29 million, equal to 103% of 2024 General Fund expenditures; the City's goal is to maintain a level of 75%. The Capital Improvement Fund will decrease \$414 thousand as planned project expenditures are expected to exceed gaming tax and grant funding. All budgetary funds will total \$45.5 million at the end of the year of which \$6 million is restricted to tax increment financing activities.

2024 Preview

The City continues to prepare for new and exciting growth opportunities as in years past. While tax revenues are almost to the levels before the Pandemic, we remain diligent in balancing revenues and expenditures as they pertain to the City of Maryland Heights. 2023 was the last year of assistance from the American Rescue Plan Act for revenue losses incurred during the Pandemic. To accomplish our objectives, city leaders and staff are mindful of our actions and future budgetary commitments that may influence future growth and service opportunities. We understand that decisions made today must be weighed against the potential impact on the future.

The 2024 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.

Among the highlights for 2024:

- Capital Improvement Program (CIP) projects, including local and collector street improvements to Fee Fee and Creve Coeur Mill Roads.
- Engagement with Better City consultants to establish a 10 year Strategic Plan for Economic Development.
- Additional Capital Improvements planned for 2024 include:
 - Various stormwater improvements and sidewalk construction.
- Application of a new financial software system to enhance efficiencies in payroll, accounts receivable/payable, purchase orders, etc. Staff will begin using it in January.

- 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:

- Personnel costs and staffing challenges in a competitive labor market.
- Our commitment to providing a backstop to the debt of the Centene Community Ice Center.
- State legislation that affects existing gaming tax revenue and future approval of video lottery terminals (VLTs), sports betting, and online wagering.
- Local and state gaming market and long-term impact on gaming tax revenue.
- Legislation and energy initiatives that impact utility tax revenue long-term.
- Long-term maintenance of city-owned facilities.
- Analyze the market support to create new revenue sources – reliance on existing revenue sources for funding.
- Demands of services on all departments, particularly Parks and Recreation, Public Works and Police.
- Long-term maintenance of City owned facilities, including an assessment of our Capital Improvement Plan for the City.
- Continued long-term impact of Senate Bill 5 and other state efforts to legislate control over Municipal Court operations.

2024 Budget Summary

At the end of 2024, fund balances will amount to \$45.5 million of which approximately \$29 million is in reserve. The following table provides a summary of all funds budgeted for in 2024.

CITY OF MARYLAND HEIGHTS
Summary of budget-by fund
Year ended, December 31, 2024

Fund	Revenues	Expenditures	Transfers/Advances	Change in fund	Begin balance	End balance
General	27,092,679	28,264,600	1,171,921	-	-	-
Streetlight	528,800	506,100	-	22,700	1,210,158	1,232,858
Tourism	320,000	300,000	-	20,000	5,030	25,030
Capital Improvement	3,770,000	4,183,557	-	(413,557)	2,199,912	1,786,355
Police Forfeiture	25,000	37,300	-	(12,300)	34,025	21,725
Parks	7,836,830	6,261,368	(1,260,000)	315,462	4,689,017	5,004,479
Reserve	-	-	(1,696,921)	(1,696,921)	31,569,983	29,873,062
American Rescue Plan	-	-	-	-	-	-
Sewer Lateral	375,000	270,000	-	105,000	1,280,246	1,385,246
Police Training	7,000	2,700	-	4,300	4,578	8,878
Beautification	16,000	9,000	-	7,000	69,300	76,300
Community Center DSF	4,000	979,156	985,000	9,844	40,000	49,844
Westport Plaza TIF	3,416,597	2,705,500	-	711,097	4,794,725	5,505,822
Dorsett TIF	332,000	150,000	-	182,000	365,152	547,152
	43,723,906	43,669,281	(800,000)	(745,375)	46,262,126	45,516,751

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 2024-2028, 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 2.9% which is lower than the National and State rates at 4.3% and 3.9% 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 still receives 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 several years.

We will monitor long-term funding sources closely as they were once more reliable. 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.

2023 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.

In the resident quality of life category, the City has undertaken numerous projects. Ongoing efforts include continued work on the Sustainability Center next to Pattonville High School. This facility opened in the fall of 2023 and will remain a nucleus for environmental education for many decades. Additionally, we are pleased to have a great partnership with Ameren, which built the 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 critical as they help facilitate stability and future growth for the City of Maryland Heights.

The City of Maryland Heights has witnessed growth and development during the past year in 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 under construction near I-270 & Page Avenue with an estimated cost of \$54 million.
- 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.
- 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 has moved to Maryland Heights from its previous downtown St. Louis location.
- Toro Energy of Missouri-Champ LLC construction has begun, and a facility to capture gas from the adjoining landfill and convert it to natural gas for distribution through the existing pipeline is underway.
- 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, is under construction and will house 254 units.
- O'Reilly Auto Parts is opening an Automotive Parts and Accessories Store at 102 Old Dorsett Road.
- NorthPoint Development - 364 Logistics Center was rezoned from "NU" Non-Urban District to "PDM" Planned District – this manufacturing development will house office distribution facilities on 364 acres located in the northwest quadrant of the intersection of Hooks River Road and Sport Port Road.
- Cornerstone Land Company LLC was rezoned from "NU" Non-Urban District to "PDM" Planned District – this manufacturing development will house office distribution uses at 14009 Creve Coeur Airport Road.

- Cumberland Hill Subdivision - Residential sub-division plat subdivided 14 Cumberland Avenue into three residential lots.
- McKelvey Ridge- This development is an independent living facility, comprised of no more than 60 units, at 12204 McKelvey Road.
- El Carlitos Mexican Restaurant added outdoor seating to their 3133 North Lindbergh Boulevard restaurant.
- Gregory Cuz, LLC Permit issued to allow medicinal and botanical (marijuana-infused product) manufacturing at 2321 Weldon Parkway.

The Capital Improvement Plan for the next five years beginning January 1, 2024 and ending December 31, 2028 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.

Through a city-wide survey implemented during 2023, residents of Maryland Heights expressed their satisfaction with the quality of services provided by the City, surpassing national averages by a significant margin. An impressive 92% of respondents indicated that the overall quality of services is excellent or good, an achievement that stands far above the national average of 51%. Notably, 91% of respondents believe that the overall quality of life in the city is excellent or good, reinforcing the positive sentiment among the community.

The survey also highlighted key areas of satisfaction, with 88% expressing contentment with the overall value provided by the City. Notable high points include a 91% satisfaction rate for the quality of parks, recreation programs, and facilities, as well as an 89% approval for the overall quality of police services. Furthermore, residents exhibited a strong desire for continued improvement, identifying the top three priorities for the next two years as the overall maintenance of city streets, traffic flow and congestion management, and the enforcement of city codes and ordinances.

Public safety emerged as a top priority, with the Police Department receiving a commendable 84% satisfaction rate for competency, 82% for responsiveness, and 80% for community engagement. The majority of respondents, 95%, feel safe walking alone in residential areas during the day, and 92% feel secure in retail areas. Crime prevention, neighborhood visibility, and retail area visibility were identified as the top three areas residents wish to prioritize for public safety in the next two years.

The survey also delved into residents' perspectives on Public Works, where 86% expressed satisfaction with snow removal. For Community Development, residents showed higher satisfaction levels for the enforcement of codes to protect public safety (63%) and maintenance on business properties (62%). The Parks department had 91% of respondents express satisfaction with the quality of parks and recreation programs and facilities.

The community's communication needs were also addressed, with 81% expressing satisfaction with the availability of information about programs and services. The City newsletters, Parks and Recreation Guides, and Facebook were identified as the most effective and frequently used communication channels.

In summary, the survey paints a picture of a community overwhelmingly satisfied with the current state of affairs, emphasizing the need for continued focus on public safety, infrastructure maintenance, and effective communication. The majority of residents believe in a positive trajectory for Maryland Heights, with 43% anticipating a much better future, showcasing a community that is not only content with its present but optimistic about what lies ahead.

Overall, 2023 was a year where every department collaborated to share opinions and ideas as we look forward to serving our diverse community. With our elected officials' leadership, we continue to grow and prosper. Despite some challenges, we have a diverse group of talented staff with various life and work experiences, which enables us to navigate the best outcome leading to positive resolution.

Acknowledgments

This budget is the result of many hours of effort by many people. I specifically want to thank Danielle Oettle, Director of Finance; Yudan Li, Assistant Director of Finance, Gail Reader, Information Systems Manager; Trisha Hall, Communications Manager, and the Department Heads and their teams for their dedication in preparing this budget document. Their hard work, and commitment to the City were instrumental in preparing this budget. 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, facilitate thriving businesses and remain a premier hospitality venue throughout the coming year.

Respectfully submitted,

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

Tracey A. Anderson, City Administrator
November 15, 2023