

POPULAR ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2016

CITY OF MARYLAND HEIGHTS, MISSOURI

Department of Finance
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Maryland Heights, MO 63043
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INTRODUCTION

Each year, the City of Maryland Heights prepares a Comprehensive Annual Financial Report (CAFR) that provides detailed information about the City’s financial position. The CAFR is prepared in conformance with generally accepted accounting principles (GAAP). The CAFR provides detailed information and includes an audit from an independent firm of licensed certified public accountants. To view the CAFR in its entirety, please visit the Government Center or www.marylandheights.com/2016CAFR.

The information contained herein is taken from the City’s CAFR and is presented for the purpose of communicating the City’s financial position. All general government activities are included with exception of three Tax Increment Financing (TIF) funds (South Heights TIF Fund, Dorsett TIF Fund and Westport TIF Fund), which do not reflect services provided by the City. Debt issued for TIF purposes is also not included in this report.

The 2016 financial results of the City of Maryland Heights for general government purposes were as follows (in thousands):

Revenues:	\$ 38,328,555
Other Sources:	65,050
Expenditures:	<u>(51,151,333)</u>
Difference:	\$(12,757,728)

The City expended \$12.76 million more than it received in revenues and other sources in 2016. The City expended \$13 million for the continued construction of a new community center which will be completed in 2017. The project was financed by the issuance (in 2015) of \$15 million in long-term debt and the use of an additional \$15 million of available fund balances that had accumulated over the years.



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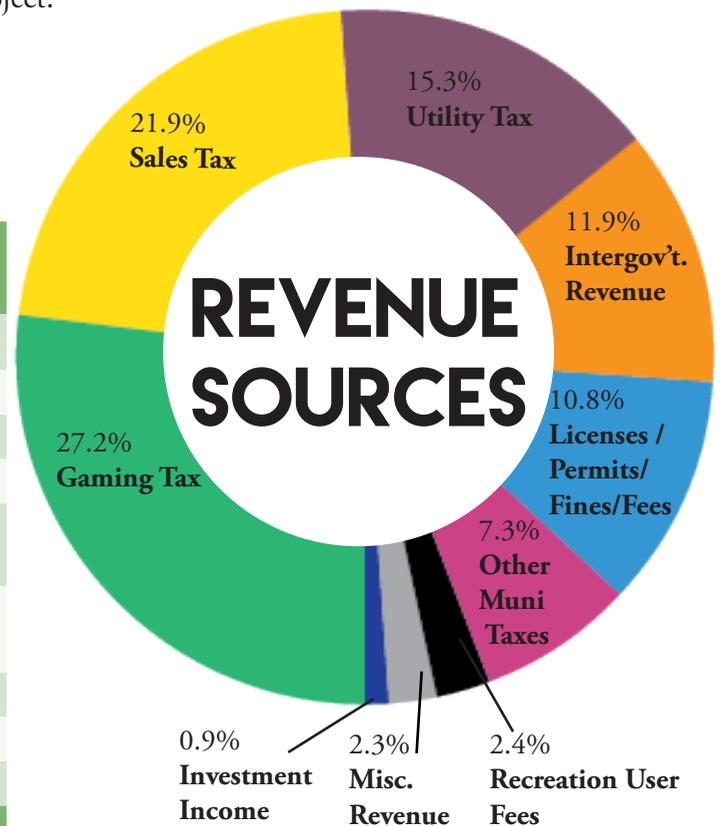
REVENUES

City revenues increased 10.4 percent in 2016 from 2015. The most significant changes:

- An increase of \$250 thousand (2.5%) in gaming tax revenues. This source had dropped every year from 2006 to 2014 due to increased competition and a stagnant overall St. Louis market for gaming.
- An increase of \$3.2 million (from \$1.3 million to \$4.5 million) in program grants and specific infrastructure projects. Notably, the City received a combined \$3.5 million in federal funding for two street projects: Adie Road and Progress Parkway.
- Licenses, permits, fines and fees decreased 1.5% (\$61 thousand) in 2016. This category includes two revenue sources that had contrasting changes. Building permits increased \$696 thousand from \$649 thousand in 2015 to \$1.3 million in 2016 as the City experienced a building boom in the commercial area. At the same time, Court fines and fees fell from \$2.1 million in 2015 to \$1.4 million in 2016, reflecting new limitations imposed by the State of Missouri on municipal courts.
- Recreation revenues decreased \$356 thousand (27.9%) in 2016 from 2015 due to the City’s transition to a new community center which opened in 2017; the old center was closed and demolished in 2016.
- The gross receipts tax on utilities decreased 4.8 percent (\$296 thousand) in 2016 due to a mild winter and low natural gas prices which cause lower receipts by the gas utility serving the businesses and residents in the City. Also, lower telecommunication gross receipts contributed to the drop from 2015.
- Miscellaneous revenues increased \$783 thousand in 2016 primarily due to a one-time contribution from a private party to assist in the cost of the Progress Parkway street project.

WHERE DOES THE MONEY COME FROM?

<i>In Thousands of Dollars</i>	2014	2015	2016
Gaming Tax	\$9,705	\$10,163	\$10,413
Sales Tax	8,033	8,367	8,410
Utility Tax	6,270	6,145	5,849
Intergovernmental	766	1,353	4,554
Licenses, Permits, Fines, Fees	3,855	4,193	4,132
Other Municipal Taxes	2,716	2,740	2,798
Recreation User Fees	1,146	1,274	918
Miscellaneous	103	110	893
Investment Income	616	364	362
Total Revenue	\$33,210	\$34,709	\$38,329



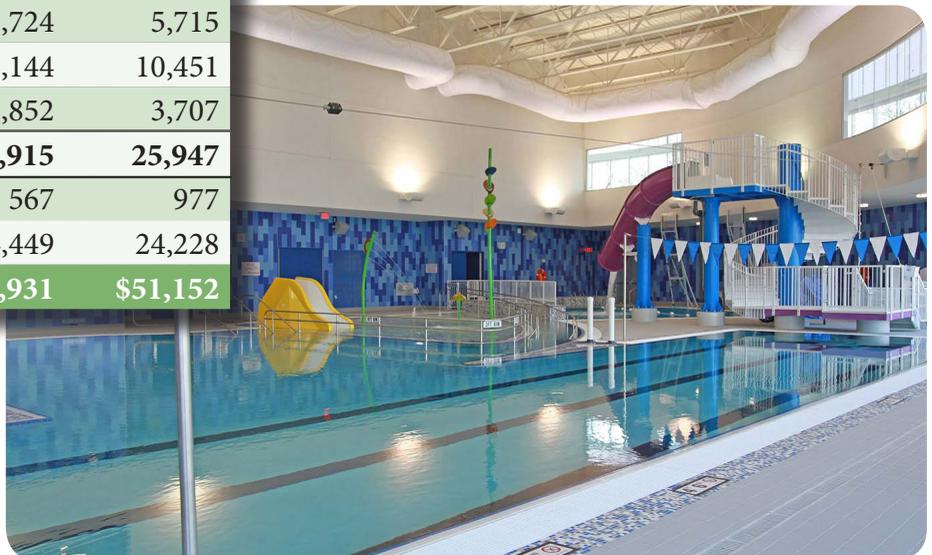
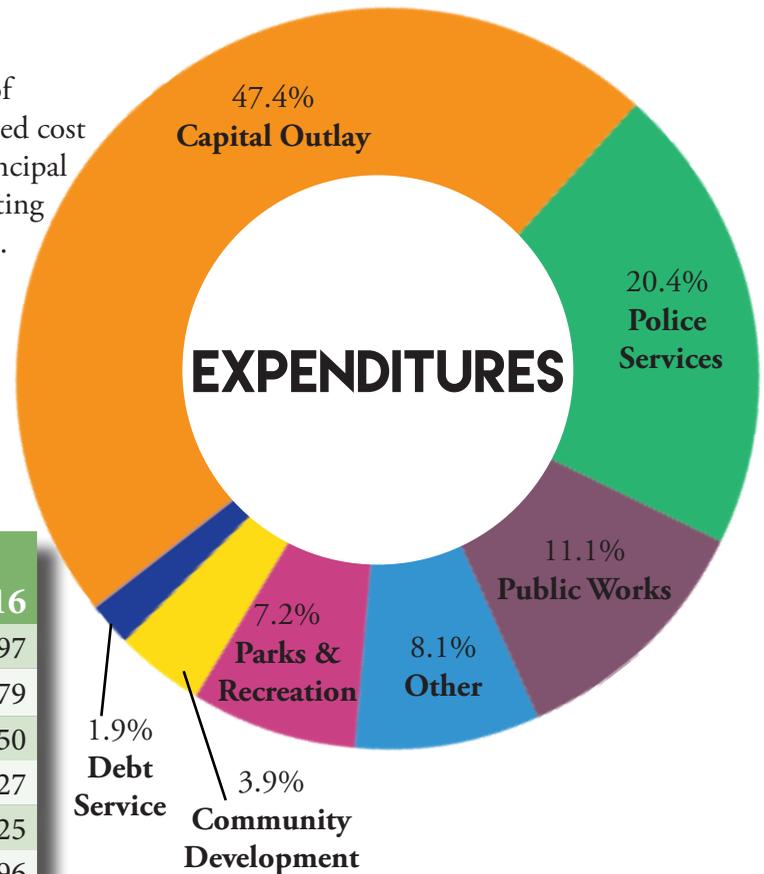
EXPENDITURES

Total expenditures increased \$10.8 million (26.7 percent) in 2016 from 2015 primarily the result of significant capital outlay. Notably, the City expended \$13 million in 2016 (compared to \$10.2 million in 2015) for construction of the new community center. Other capital outlay for equipment, vehicles, facilities and infrastructure improvements amounted to \$11.1 million including \$1.7 million in various storm water improvements, \$3.2 million for Adie Road and \$3.3 million for Progress Parkway.

The City issued \$15 million in long-term debt in the form of Certificates of Participation in 2015 to fund half the estimated cost of the new community center; 2016 was the first year of principal payments accounting for the increase in debt service. Operating expenditures increased slightly due to higher personnel costs.

WHERE DOES THE MONEY GO?

<i>In Thousands of Dollars</i>	2014	2015	2016
Legislative	\$150	\$148	\$197
General Services	1,769	1,786	1,779
Finance	1,513	1,405	1,350
Judicial	350	430	427
Human Services	323	337	325
Community Development	1,912	2,089	1,996
Public Works	5,848	5,724	5,715
Police Services	10,189	10,144	10,451
Parks & Recreation	3,992	3,852	3,707
Total Operating	26,046	25,915	25,947
Debt Service	0	567	977
Capital Outlay	8,007	14,449	24,228
Total Expenditure	\$34,053	\$40,931	\$51,152

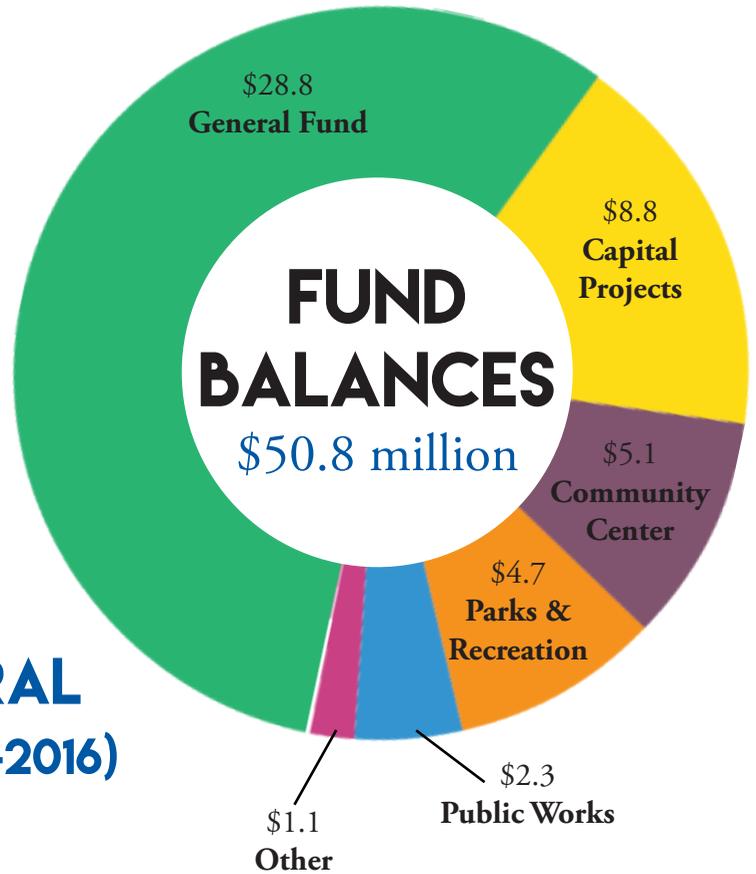


The indoor Aquatic Center of the new Community Center. This 9,000 square foot amenity of the facility includes 4,500 square feet of water area.

FUND BALANCES AT DEC. 31, 2016

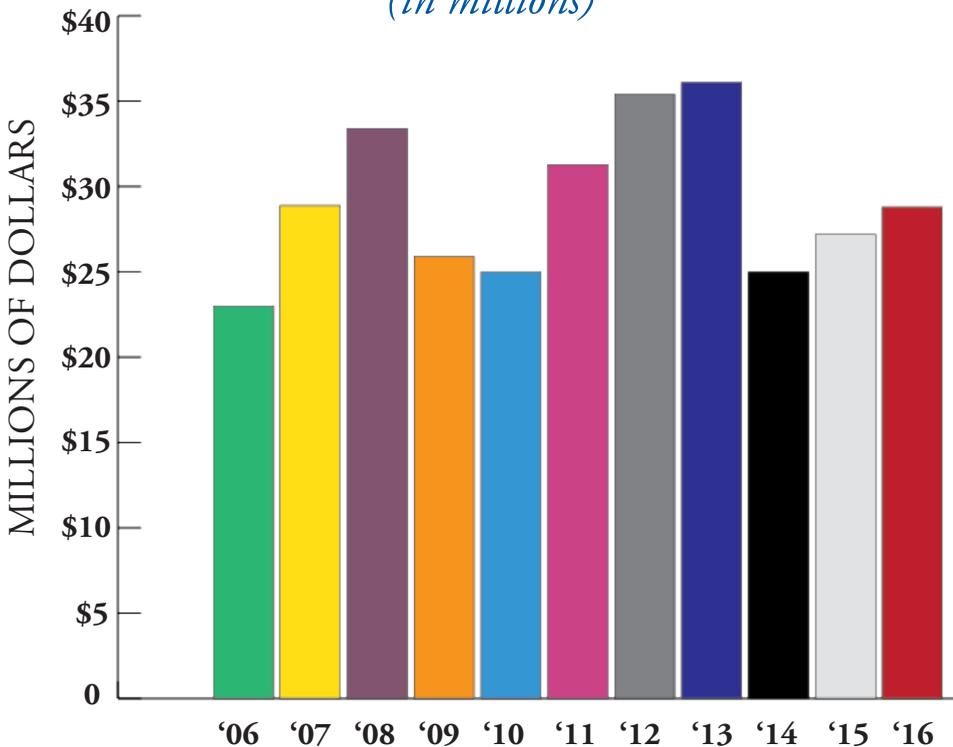
Funds totaling \$50.8 million were available at year end. The City maintains an accounting system that separates resources into various funds based on the restricted or committed use of the monies.

Included in these amounts are commitments for future contracts (“encumbrances”) and other certain specific future uses of fund resources (e.g., prepaid expenses). These portions of fund balances total \$5.3 million and include \$4.2 million for the completion of the community center construction.



UNASSIGNED GENERAL FUND BALANCE (2006-2016)

(in millions)



The General Fund is the City’s major operating fund. It is used to account for all financial resources except those that are required to be accounted for in another fund.

The unassigned fund balance of the General Fund at the end of the year represents funds available that the City can use for any of its purposes. The City’s goal is to maintain an unassigned General Fund balance equal to 75% of annual General Fund expenditures (\$16.6 million). At the end of 2016, this balance was \$28.8 million. The unassigned General Fund balance increased by \$1.6 million in 2016 due to revenues exceeding expenditures.

2016 IN REVIEW

New Community Center Nears Completion

During 2015, the City broke ground and began construction of a new 90,000 square foot community center. The facility’s completion date is set for early 2017. The facility will feature a state-of-the art fitness center, indoor aquatics, gymnasiums and entertainment features. With an estimated cost of \$30 million financed with \$15 million in long-term debt and \$15 million of fund balances accumulated over the years, the City has made a significant commitment to enhance leisure services to residents, area workers and visitors for years to come.

Long-Term Debt

In January 2015, the City issued \$15 million in Certificates of Participation, a form of leasehold revenue bonds, to finance half the cost of the new community center. The certificates bear interest ranging from 2% to 3.15%. At the end of 2016, the total principal outstanding was \$14,400,000. The debt service is expected to be paid from the Park Fund using part of the proceeds of the City’s half-cent sales dedicated to Parks. Annual debt service requirements will total about \$980,000 each year through 2035.

Capital Improvement Plan (CIP)

The City’s capital improvement plan (CIP) for the five years 2017 to 2021 projects investment in infrastructure improvements, major equipment, and facilities of about \$21 million. During 2016, the City completed major expansion and renovation of Progress Parkway; the total project cost was \$5.8 million.

Economic Development

During 2016, construction of World Wide Technology’s new six-story headquarters at Westport Plaza made significant progress. The facility is expected to be completed mid-2017. The City welcomed two new restaurants—Starbucks and Qdoba—at the Shoppes at Lakeside Crossing. The City sought, without resolution, development proposals for an 1,800 acre area in the Route 141 corridor. Efforts to seek development that matches the City’s vision will continue in 2017.



Page Ave./Rte. 364 just west of it’s intersection with Rte.141. This is a key transportation corridor in the area considered for development by the City.

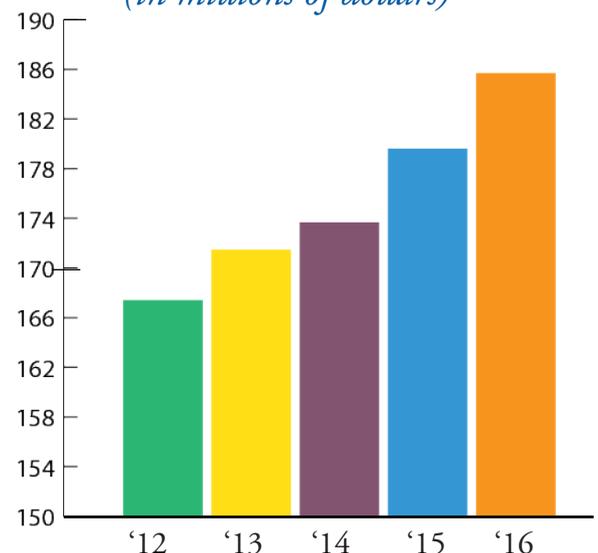
Net Position

As previously noted, this report emphasizes the 2016 financial results and the available fund balances as of Dec. 31, 2016 of all governmental funds except Tax Increment Financing funds. Governmental funds focus on near-term inflows and outflows of expendable resources and the resulting balances available at the end of the fiscal year.

The City issues Government-wide financial statements in its Comprehensive Annual Financial Report. These statements are designed to provide readers with a broad overview of the City similar to a private-sector business. Included is a “Statement of Net Position.” This statement defines net position as the difference between all assets and all liabilities. The key consideration in analyzing net position is not the amount itself, but the direction and speed at which it is increasing or decreasing. The City’s net position has increased steadily as shown.

NET POSITION (2012-2016)

(in millions of dollars)



COMMUNITY INFORMATION

Your Government

The City of Maryland Heights is governed by the Mayor and City Council. A staff of about 200 employees under the direction of a full-time professional City Administrator provides a full range of municipal services including police protection, planning and zoning, code enforcement, public works, parks and recreation and general administration.

Our Mission

We 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.

Mayor

The Mayor is the City's chief executive officer. He votes with the City Council only to break a tie and can veto legislation. The Mayor appoints members of council committees, citizen boards and commissions. Mayoral terms are 4 years.

City Council

The eight-member City Council is the legislative branch of local government. The Council adopts the annual budget, establishes policies and approves ordinances. Each of the City's four wards has two council members who represent their constituents' interests in government decisions and can decide on legal actions and property acquisitions. Council terms last two years. The City Council meets on the first and third Thursday of every month at 7:00 p.m. in the Council Chamber at the Maryland Heights Government Center, 11911 Dorsett Road.

Miscellaneous Statistical Data

Date of Incorporation: May 9, 1985
Government: Mayor/Council/City Administrator
Area: 23.42 square miles
Miles of Streets (center line): 97.12 (city maintained)
Miles of City-Maintained Sidewalks: 87.6
Number of Street Lights: 1,954
Total Employees, Full-Time: 196
Commissioned Officers: 78
City-Imposed Tax Rates:
 Utility/Gross Receipts Tax: 5.5%
 Property Tax: None
 Sales Tax: 0.5%
Issuer Credit Rating (S&P): AA+

Demographic Data

Population: 27,472
Registered Voters: 16,395
Median Household Income: \$56,199
Per Capita Income: \$29,587
Median Value Owner-Occupied Housing: \$140,000
Unemployment Rate: 3.6%

Local Economy

The City is a suburban community located in northwest St. Louis County, Missouri with a diverse economic base represented by a mixture of many industries, numerous commercial enterprises, office buildings, and support services. The travel and hospitality industry has a major impact on the City's economy and service demands. Many firms have located in the City, creating a healthy mixture of commerce. Prominent names include Edward Jones, Magellan Behavioral Health, Watlow Electric, Monsanto, Worldwide Technologies, and United Healthcare of the Midwest.



Companion Bakery's Cafe courtesy of Companion Bakery and J. Pollack Photography.

MAYOR AND CITY COUNCIL



Mayor
Mike Moeller
878-6730

City Administrator
Jim Kruschke
738-2201

Finance Director
Dave Watson
738-2220

WARD 1



David Grant
384-2395



Gavin Park
899-5204

WARD 2



Kim Baker
275-4954



Ed Dirck
878-9001

WARD 3



Chuck Caverly
Pres. Pro Tem
566-0424



Nancy Medvick
703-8987

WARD 4



Jim Carver
291-8958



Norm Rhea
739-0096

**City Council members as elected in April 2017.*

AWARD FOR OUTSTANDING ACHIEVEMENT IN POPULAR ANNUAL FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Maryland Heights for its Popular Annual Financial Report for the year ended December 31, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**City of Maryland Heights
Missouri**

For its Annual
Financial Report
for the Fiscal Year Ended
December 31, 2015

Jeffrey R. Emer
Executive Director/CEO