



POPULAR ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2017

CITY OF MARYLAND HEIGHTS, MISSOURI

Department of Finance
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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/2017CAFR.

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 2017 financial results of the City of Maryland Heights for general government purposes were as follows (in thousands):

Revenues:	\$ 40,076,920
Other Sources:	175,603
Expenditures:	<u>(41,130,687)</u>
Difference:	\$(878,164)

The City expended \$878 thousand more than it received in revenues and other sources in 2017. The City expended \$4.3 million to complete construction of a new community center. 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. Therefore, other than the Community Center expenditures, the balances in the other governmental funds increased by \$3.4 million.



TABLE OF CONTENTS

- Revenues.....3
- Expenditures.....4
- Fund Balances.....5
- 2017 in Review.....6
- Net Position.....6
- Community Information.....7
- City Council Information.....8

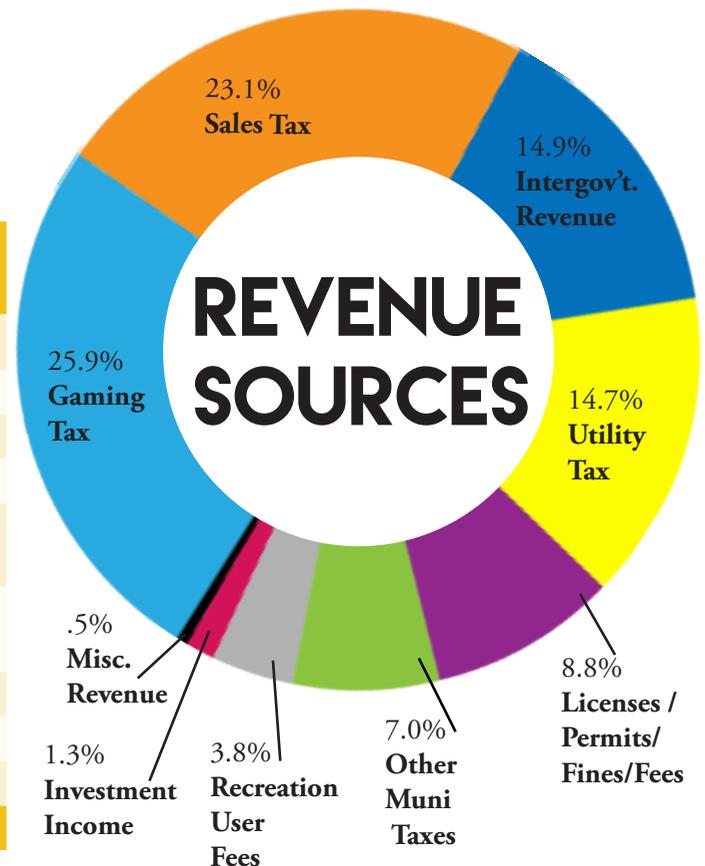
REVENUES

City revenues increased 4.6 percent in 2017 from 2016. The most significant changes:

- Sales taxes increased \$862 thousand (10.2%) in 2017 from 2016. A new distribution formula implemented in 2017 for the St. Louis County-wide sales tax accounted for \$596 thousand of the increase. A new sales tax for public safety purposes imposed by St. Louis County and shared with municipalities took affect late in 2017 which accounted for \$212 thousand.
- A decrease of \$25 thousand (.5%) in gaming tax revenues. The City’s largest source of revenue totaled \$10.4 million in 2017.
- An increase of \$1.4 million (from \$4.6 million to \$6.0 million) in program grants and specific infrastructure projects. Notably, the City received \$5 million from a local not-for-profit organization, Great Rivers Greenway, for park improvements related to a new hiking/biking trail.
- Licenses, permits, fines and fees decreased 14% (\$580 thousand) in 2017. Building permits decreased \$400 thousand from \$1.34 million in 2016 to \$944 thousand in 2017 as the City experienced a building boom in the commercial area in 2016. At the same time, court fines and fees fell \$69 thousand and Cable TV franchise fees fell \$49 thousand.
- Recreation revenues increased \$594 thousand (65%) in 2017 from 2016 due to the opening of a new community center 2017; the old center was closed and demolished in 2016.
- Miscellaneous revenues decreased \$707 thousand in 2017 from \$893 thousand in 2016. A one-time contribution of \$783 thousand was received in 2016 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>	2015	2016	2017
Gaming Tax	\$10,163	\$10,413	\$10,388
Sales Tax	8,367	8,410	9,272
Utility Tax	6,145	5,849	5,893
Intergovernmental	1,353	4,554	5,953
Licenses, Permits, Fines, Fees	4,193	4,132	3,552
Other Municipal Taxes	2,740	2,798	2,804
Recreation User Fees	1,274	918	1,512
Miscellaneous	110	893	186
Investment Income	364	362	517
Total Revenue	\$34,709	\$38,329	\$40,077



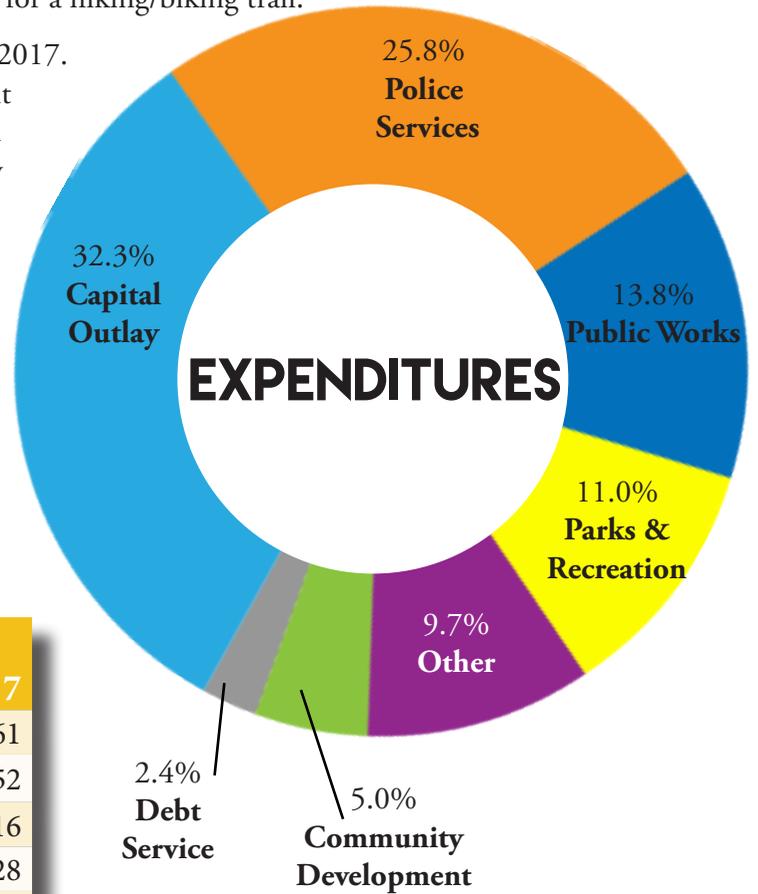
EXPENDITURES

Total expenditures decreased \$10 million (20 percent) in 2017 from 2016 primarily the result of significant capital outlay in 2016. Notably, the City expended \$4.2 million in 2017 for the construction of a new community center compared to \$13 million in 2016. Other capital outlay for equipment, vehicles, facilities and infrastructure improvements amounted to \$9 million including \$5 million for a hiking/biking trail.

Operating expenditures increased \$934 thousand (4.6%) in 2017. While some activities showed increases or decreases as a result of shifting resources, the major operational increase occurred in parks and recreation (21.7%) due to the opening of the new community center in May.

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.

WHERE DOES THE MONEY GO?



<i>In Thousands of Dollars</i>	2015	2016	2017
Legislative	\$148	\$197	\$161
General Services	1,786	1,779	2,052
Finance	1,405	1,350	1,316
Judicial	430	427	328
Human Services	337	325	211
Community Development	2,089	1,996	2,043
Public Works	5,724	5,715	5,666
Police Services	10,144	10,451	10,593
Parks & Recreation	3,852	3,707	4,511
Total Operating	25,915	25,947	26,881
Debt Service	567	977	975
Capital Outlay	14,449	24,228	13,276
Total Expenditure	\$40,931	\$51,152	\$41,132

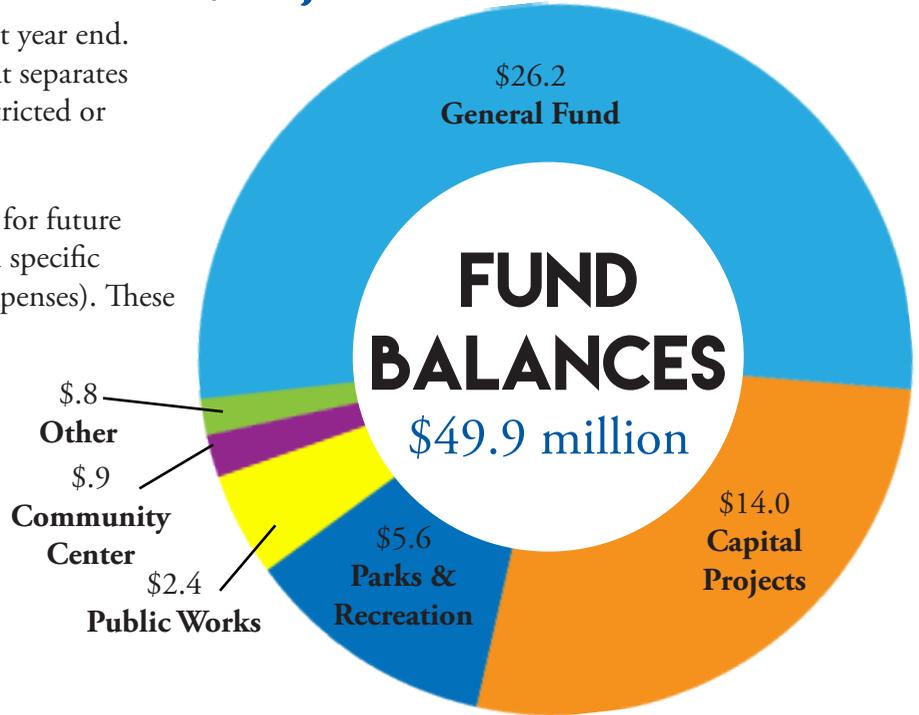
A view of the Community Center's west-facing "front" side from the northwest.



FUND BALANCES AT DEC. 31, 2017

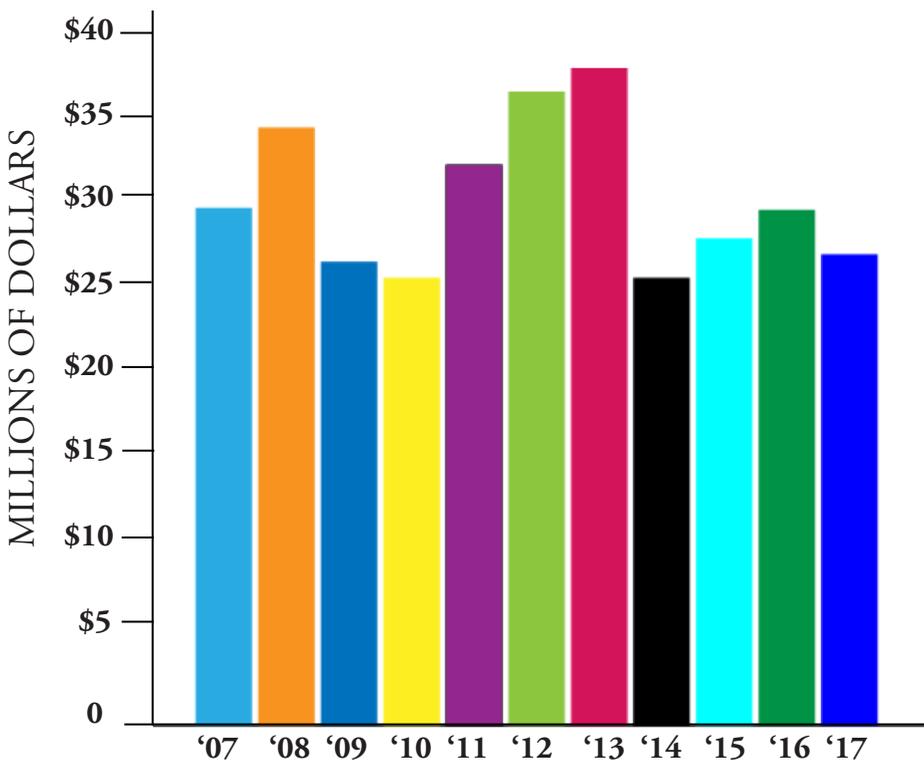
Funds totaling \$49.9 million were available at year end. The City maintains an accounting system that separates resources into various funds based on the restricted or committed use of the monies.

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 \$2.6 million.



UNASSIGNED GENERAL FUND BALANCE (2007-2017)

(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 2017, this balance was \$26.2 million.

The unassigned General Fund balance decreased by \$2.5 million in 2017. While revenues exceeded expenditures by \$2 million, a transfer from the Park Fund, insurance proceeds and sale of capital assets added \$217 thousand, a transfer to the Capital Improvements Fund of \$5 million to provide the City’s contribution to the future construction of an Ice Arena resulted in the decline.

2017 IN REVIEW

New Community Center Opens

The new 90,000 square foot community center opened for business in April 2017 with a Grand Opening Celebration held on May 20, 2017. The facility features a state-of-the art fitness center, indoor aquatics, gymnasiums and entertainment features. With a total 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.

Hiking and Biking Trail

The expansion of McKelvey Woods Trail made significant progress in 2017 with grading, paving and seeding occurring. Once completed, the trail will connect Maryland Heights' recreation complex with Creve Coeur Lake Park.

Adie Road Improvements Completed

Adie Road from Fee Fee Road to Schuetz Road was widened from 2 to 3 lanes. New sidewalks on each side of the street and an enclosed sewer system was constructed. The failing bridge at the creek crossing was replaced. The \$3.1 million project continues the City's ongoing effort to improve its collector road system.

Capital Improvement Plan (CIP)

The City's capital improvement plan (CIP) for the five years 2018 - 2022 projects investment in infrastructure, major equipment, and facilities of about \$24 million.

Economic Development

In June, World Wide Technology's new six-story headquarters at Westport Plaza opened for business. The Plaza's rejuvenation continues with improvements to its parking garage, infrastructure and tenant spaces. Throughout 2017, the City continued planning efforts in partnership with the St. Louis Legacy Ice Foundation, the St. Louis Blues, other ice sport-affiliated organizations, and Live Nation for the creation of a 4-rink ice sports/entertainment complex. Project details are expected to be finalized in 2018.



Rendering of the planned ice sports/entertainment complex.

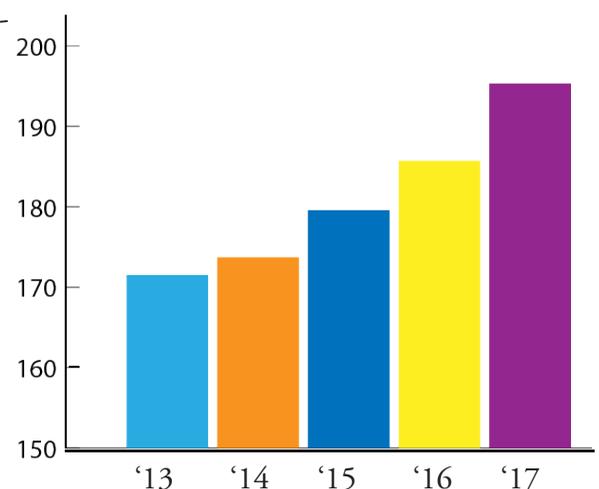
Net Position

As previously noted, this report emphasizes the 2017 financial results and the available fund balances as of Dec. 31, 2017 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 (2013-2017)

(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: 1,963
Total Employees, Full-Time: 200
Commissioned Officers: 79
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, Charter Communications, Magellan Behavioral Health, Watlow Electric, World Wide Technology, and United Healthcare of the Midwest.



World Wide Technology's new headquarters at Westport Plaza.

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

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, 2016. 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, 2016

Christopher P. Morill

Executive Director/CEO