



WHERE COMMUNITY AND SPIRIT MEET™

WORK SESSION MINUTES

A work session of the Kirkwood City Council was held on January 19, 2023 at 5:00 p.m. at Kirkwood City Hall, 139 S. Kirkwood Road, Kirkwood, Missouri. Present were Mayor Griffin, Council Members Duwe, Gibbons, Luetzow, Sears, Ward and Zimmer. Also in attendance were Chief Administrative Officer Russell Hawes, Assistant Chief Administrative Officer David Weidler, City Clerk Laurie Asche, Assistant Director of Finance Jen Forgy, Director of Public Services Bill Bensing, Planning & Development Services Director Jonathan Raiche, Director of Electric Mark Petty, Communications Manager Katherine Hessel, and City Attorney John Hessel.

APPROVAL OF THE JANUARY 5, 2023 AND JANUARY 12, 2023 WORK SESSION MINUTES

Motion was made by Council Member Ward and seconded by Council Member Duwe to approve the January 5, 2023 and January 12, 2023 Work Session minutes. The motion was unanimously approved.

CITIZEN'S FINANCE COMMITTEE REPORT

Hunter Martiniere, Chair of the Citizens Finance Committee (CFC) presented the Citizen's Finance Committee Recommendation Memorandum regarding the FY24 budget cycle. A summary of the recommendations of the CFC are as follows:

- The CFC met weekly starting in September 2022 to review the City's proposed FY24 budget and dedicated revenue sources.
- The specific departments reviewed by the CFC include Sanitation, Recreation, Fire, Water, Police, Engineering/Streets, Electric and Administration (including Workers' Compensation, Human Resources and Employment Benefits).
- After two years of pandemic related shutdowns, the City is now operating at normal capacity across all departments.
- At the end of FY23, sales tax revenue was 16% higher than a comparable period in 2021 and in line with sales tax collection in 2019.
- Labor shortages, inflationary cost increases, aging infrastructure, and the increasing likelihood of an economic recession creates cause for concern and warrants a conservative budgetary approach for the fiscal year ahead.
- Wage inflation and historically low unemployment increased turnover throughout the economy as employees transitioned to higher wage jobs or enhanced benefits in an attractive labor market. Through FY23, the City's turnover rate was 18% compared to the annual average of 6%.
- The City continues to explore fiscally responsible options to attract and retain talented employees in this competitive labor market. The City implemented a 5% Cost of Living wage increase for all City workers, in addition to 2% merit increase, and added three weeks of maternity/paternity leave as an employment benefit. These increases and additional benefits added a 7% increase in the City's budgetary expense.
- Inflation has dramatically impacted spending with the budget, but the City has responded by cutting \$307,000 of capital expense from the FY24 budget that was originally submitted to the CFC in September 2022.
- Significant capital commitments will be required over the next decade to address the City's aging infrastructure.

- The City adopted a 15% increase in water fees in FY24. While the fee increase will help shore up the operational deficit, it will not generate the necessary revenue to address the aging infrastructure in a meaningful way.
- As the City navigates a tight labor market, inflationary cost increases, and a shortfall in available capital, the broader macroeconomic picture also continues to get more challenging. This could have a significant impact on the City as 40% of revenues are derived from a combination of sales tax and gross receipts.
- The City remains well positioned to handle economic volatility due to prudent budgeting and efficient management by the City Administration.
- There is likely sufficient reserve cash to shore-up any operational losses in the event of a mild recession.
- The CFC agrees that cautious optimism is the best way to approach the FY24 budget cycle.

Discussion:

- Question was raised regarding if tax increases were discussed. The CFC looked at a variety of different options.
- Question was raised regarding if it is recommended to contract out Sanitation and Water services. The CFC is not for nor against contracting either out. There are going to be increased costs for both.
- Question was raised regarding if Kirkwood Sanitation could provide services to surrounding municipalities. There would be difficulty competing with private companies.
- Question was raised regarding how the City can maintain current assets and improve on them.
- A statement was made regarding the water main replacement cycle and the need to improve on it.

The City Council will provide a letter to the CFC with input on Council's position on their recommendations with an explanation of why any were not accepted

ELECTRIC DEPARTMENT BUDGET

Chris Dawson with GDS Associates, Inc., made a presentation regarding Power Supply Update and Strategic Planning for the City of Kirkwood. Some of the information presented and discussed is as follows:

- Recent volatility and utility challenges:
 - There are volatile economic conditions.
 - For the first time in 12 months, there is an increased demand in the U.S. for energy.
 - 40% of the nation's energy comes from natural gas.
 - MISO market capacity and energy prices are increasing.
- Kirkwood power supply resources:
 - Energy needs are currently served by Prairie State, third-party block purchases, and MISO market.
 - Prairie State Energy Campus provides Kirkwood with 80% of the energy consumed.
 - Power supply costs are increasing.
- Industry trends and expectations:
 - Natural gas is becoming a global demand.
 - Solar demand is increasing, and costs are anticipated to continue to increase as well.
- Kirkwood power supply energy requirements:
 - Continue to manage and hedge load exposure in summer months or when Prairie State is unavailable, to ensure rate stability.

- Grain Belt Express Project (wind) is proposed for the year 2027, and would bring in stable rates and clean energy.
- Implementation for Time of Use Rates for Kirkwood is approximately a year away.

Director of Electric Mark Petty made a presentation regarding the Kirkwood Electric FY24 Budget. Some of the information presented and discussed is as follows:

- Sales of power on the wholesale market is up.
- Projected to have \$5 M in cash balance by the end of the current FY.
- A 35% rate increase was previously approved by the City Council.
- Energy in the market is now primarily generated by natural gas.
- MISO requires market participants to post collateral for a percentage of purchase power transactions. Increases in the price of purchased power caused Kirkwood Electric to post \$800k in additional collateral.

MISSOURI'S HIGHWAY SAFETY PROGRAM

Annually the City Council authorizes that the City of Kirkwood participation in Missouri's Highway Safety Program. The Kirkwood Police Department investigates the financial assistance available under the Missouri Highway Safety Program for Traffic Enforcement. When funding through the Highway Safety Division is no longer available, the City agrees to make a dedicated attempt to continue support for this traffic safety effort.

The City Council authorizes the City's participation in Missouri's Highway Safety Program.

There being no further matters to come before the council, the meeting was adjourned.

Laurie Asche
City Clerk