

SUMMARY AND OVERVIEW

EXECUTIVE SUMMARY

The FY2002 Annual Operating Plan allocates \$753.1 million of city revenues to provide for the delivery of a variety of government services. The proposed allocation scheme represents an attempt to maintain an acceptable level of citizen services while recognizing and dealing with the realities of fixed costs imposed by ordinances, uncontrollable increases in operating costs mandated by state law, as well as increased needs for services in certain areas.

Funds supporting the FY2002 plan include grants in aid from federal and state agencies, user fees, and locally generated tax and fee revenues. Funding increases are proposed for operations of the 22nd Judicial Circuit Court and in the area of Public Safety. Scattered funding decreases are proposed for a variety of departments and some administrative offices. Where funding decreases are proposed, every attempt has been made to minimize the impact on service delivery. The plan supports a staffing level of 7,530 employees, funds the final year of employee compensation plans including new

retirement benefits, and sets aside funds necessary for occupation of the former federal courthouse, as well as transitioning to the opening of the new Justice Center.

The total budget for FY2002 is \$753.1 million, and is funded by a combination of local tax revenues, dedicated funds for enterprise operations, and project specific grants. These amounts are further broken down by departmental activities using specific projects and accounts, with distinctions being made between operating funds and capital expenditures.

GENERAL FUND OPERATIONS

The City's general fund budget supports those recurring activities necessary for the operation of city government and is funded by a combination of revenues derived from taxes, fees, fines, and intergovernmental transfers. At \$403.3 million, the general fund proposal for FY2002 is the largest of the city funding units. In keeping with the city's stated priorities, this fund allocates \$207.1 million for public safety functions, including \$123.6 million for police services. The remaining public safety allocation from the general

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fund provides for fire protection, pre-trial inmate housing, emergency medical services, and various permitting and inspection activities. The general fund proposal also dedicates funds for the city's neighborhood stabilization efforts through allocations for solid waste collection and disposal as well as for maintenance of streets, alleys, and parks in the amount of \$50.0 million. Debt service payments for large projects funded through lease arrangements are included in the general fund allocation in the amount of \$25.8 million which funds annual lease payments on the Justice Center, Kiel Center, Civil Courthouse, and the Convention Center/ Stadium complex. Funding for state and municipal court functions and county offices account for an additional \$46.6 million. The remainder of the general fund budget can be categorized as paying for maintenance and operations of buildings, health care services and administrative functions.

ENTERPRISE FUND OPERATIONS

The Water Division and the Airport are the city's two enterprise funds. Allocations for these departments are included in the FY2002 proposal at \$45.8 million and \$125.9 million,

respectively. The Water Division receives its income from the sale of water to residents of the City and recently from the sale of water to other municipalities in the metropolitan area. Nearly 10% of the Water Division's budget or \$4.1 million is devoted to retirement of revenue bonds issued for capital improvements to the divisions two treatment facilities and an upgrade of the supporting infrastructure. With a proposed budget of \$125.9 million, the Airport is the city's largest cost center and is supported entirely by user fees paid by airlines and concessionaires. Approximately 40% of the proposed airport budget is devoted to debt service payments on revenue bonds issued to facilitate repair and maintenance of the runways and terminals. The remaining budget amounts provide for the administration and daily operations of both the Airport and Water Division.

FEDERAL AND STATE GRANTS

Grant funds secured from agencies at both the State and Federal level are included in the proposed plan in the amount of \$64.1 million, a 5% increase over the current year level. The largest portion of these dollars are used to

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augment locally funded social service programs and are allocated through the Department of Health and the Department of Human Services.

Necessary services are delivered by the City either directly or by contract. In FY2002, \$33.2 million in grant funds will be allocated for use by these two departments. Public safety and neighborhood stabilization issues are addressed with miscellaneous project specific grants administered by the Police Department and the Local Law Enforcement Block Grant. Grants for this category total \$11.7 million in FY2002. The remaining grant funds supplement the city's efforts in the provision of job training services through the St. Louis Agency for Training and Employment and with providing administrative support for the Law Department and the Community Development Agency.

CAPITAL IMPROVEMENTS

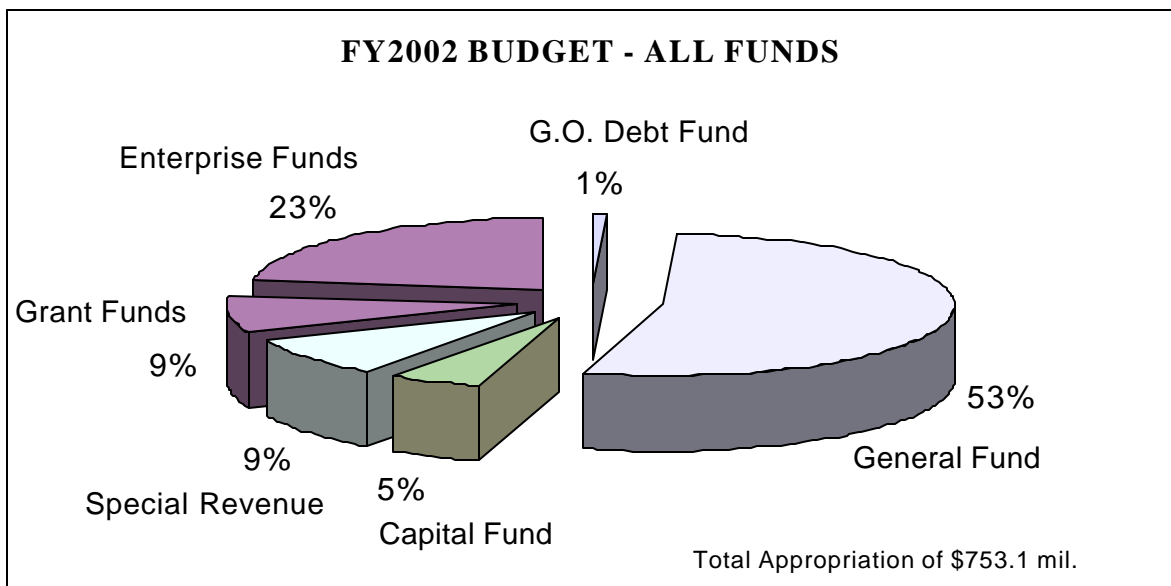
The budget allocates \$40.3 million in funds dedicated to equipment purchases and capital improvements. The sources include a dedicated sales tax, general fund appropriations, gaming admissions receipts, special projects grants and interest earnings on invested funds. Projects funded include replacement of rolling stock, infrastructure improvements to bridges, streets, and buildings, as well as debt service on previously approved projects such as the Justice Center and Civil Courts Building.

OTHER SPECIAL REVENUE FUNDS

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The remaining allocations in the budget are through special funds, the revenues from which are legally required to be accounted for separately from the general fund. In this category is the Health Care Trust Fund in which the newly authorized Local Use Tax to

subsidize health care will be deposited and \$6.4 million from gaming operations which is used for capital improvements and enhancing the safety of the public visiting the riverfront. Other functions for which special revenue funds are allocated in this proposal include maintenance of improvements in Forest Park, demolition of condemned buildings, and repair of sewer lines.



The graph below illustrates the total budget distributed among fund groups. The following page presents a summary of highlights of the FY2002 Annual Operating Plan

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Highlights of the FY2002 Operating Plan

- Institution of Health Care Trust Fund pending allocation of Local Use Tax Funds.
 - Cost-of-living pay increases for all employees at a cost of \$11.6M
 - Increase of \$820,000 in cost of employee health insurance
 - \$8.3M increase in contributions to City Employee and Fire Retirement System with \$5.8M of this amount from General Fund
 - \$1.1M reduction in Board of Elections due to non-election year
 - \$1.5M in increases on various lease debt agreements in general and capital funds
 - \$350,000 in further improvements to Civil Courts Building
 - Elimination of a \$550,000 general fund subsidy to St. Louis Development Corp. with a reduced subsidy made available from a transfer in FY01 funds.
 - \$165,000 increase in Street Division to replenish salt/snow chemical supply
 - Creation of new cost center for City Justice Center
 - \$2M for first full year of prisoner health care contract
 - \$2.6M in costs related to purchase, occupation and maintenance of old federal courthouse
 - \$800,000 increase in heating services due to higher natural gas costs
 - \$500,000 increase in cost of fuel at Equipment Services Division
 - \$1.0M in License Collector surplus as supplement to Police Commission's budget.
 - \$124,000 for two additional animal control crews
 - Net reduction in general fund City workforce of 19 positions.
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The FY2002 Annual Operating Plan includes funds for scheduled debt service obligations on several large projects initiated in previous fiscal years. These include the Justice Center, Kiel Center, and the Convention Center and Stadium Complex, as well as debt retirement payments on a lease purchase of rolling stock and a general obligation bond issue that provided for the replacement of firefighting equipment along with other public safety improvements. Projects developed using Tax Increment Financing, with loan repayments generated by the project are also included in the budget proposal.

Social Service initiatives funded in this budget are found in the Department of Health & Hospitals and the Department of Human Services. These funds whether generated locally or as the result of federal or state grants, have been distributed in a manner which seeks to ensure that these services are available to all who are in need. Additionally, Health and Human Services program spending is supported by \$13.3 million in local funds and \$33.2 million in federal and state grants. Allocations for Public Safety functions are designed to maintain current

staffing levels for Police, Fire and Emergency Medical Services. Public safety inspections of elevators became a state responsibility with the transition to occur in FY2002. The City will retain its obligation to inspect other safety aspects of commercial buildings and residential housing on the currently established schedule. The FY2002 plan allocates additional funds for major street resurfacing while maintaining residential street maintenance and street sweeping schedules. In the Department of Parks, Recreation and Forestry, funding for park maintenance activities is retained at the current year's level, while recreation programming, upon review, will continue to be offered at the existing ten centers located throughout the City.

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SUMMARY

In summary, the total budget appropriation for FY2002 is \$753.1 million. Over 50%, or \$403.3 million, is appropriated from general revenue to pay for day-to-day City operations. City general funds are supplemented by approximately \$64 million in grants from State and Federal Sources. The remainder of the budget comes from a variety of special and enterprise funds maintained by the City in compliance with specific ordinances or agreements. The allocation of these funds is designed to make the City of St. Louis a more desirable place to live, work, and do business. The allocation also reflects the City administration's goal of providing an effective and responsive City government as well as one that can deliver a wide range of recreational, entertaining, and cultural experiences. The service enhancements and infrastructure improvements funded in this plan will promote growth in future economic activity, which will in turn produce

tangible results in jobs and fiscal stability.

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GENERAL FUND OVERVIEW

Sources of Funds

The operating revenues available for appropriation for general fund obligations will rise in FY2002 by 2.5% over the revised FY2001 estimate to \$403.4 million. Over 50% of the increased revenue results from steady growth in the Earnings and Payroll taxes, emphasizing the importance to the City of retaining existing jobs, as well as encouraging job creation. These two taxes will account for \$161.8 million or 40% of all general fund revenue in FY2002. Property tax revenues are forecast to increase by 1.7% reflecting increased assessed value of both real estate and personal property. General sales tax revenues are forecast to grow at slightly less than 3%, in line with the most recent historical pattern indicated by quarterly collection data. Intergovernmental revenues will be slightly higher resulting from an increase in the reimbursement for Juvenile Court operations and steady growth in motor vehicle sales taxes.

The expected decrease in Franchise and Utility tax revenue of \$0.8 million results mainly

from an expected decrease in natural gas prices.

Growth in gross receipts tax payments by the Airport is limited to the change in CPI. Revenues from other franchise taxpayers are expected to remain relatively flat. Fees for licenses and permits will increase by 5.1% overall with the greatest impact coming from those licenses that are gross receipts based rather than unit based. The gross receipts category includes sports admissions, parking garages, restaurants, and hotels.

Uses of Funds

The FY2002 Annual Operating Plan includes a General Fund budget that seeks to provide for continued and enhanced neighborhood stabilization and an allocation scheme designed to ensure that City departments charged with service delivery are provided with the necessary resources to fulfill their missions. Major highlights that differentiate this year's plan from that of last year have been identified in a previous table. These include the allocation of funds sufficient to meet the City's debt service requirements, as well as other contractual obligations. Personnel costs represent 72% of

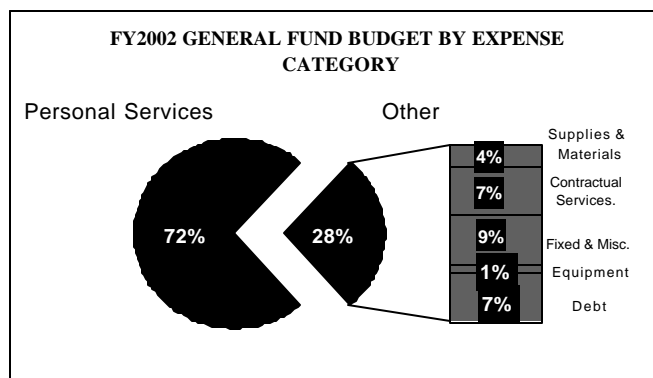
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the general fund budget and include the impact of cost of living adjustments granted to employees as well as other benefit increases. The plan also reflects a commitment of funds to long term health care and maintenance of facilities in which to deliver long term care.

Operationally, the City will continue to contractually provide for housing for prisoners formerly housed at

the City Jail, and will assume maintenance of the old Federal Courthouse. With construction of the Justice Center scheduled for completion in mid 2002, transitional plans will continue for its expected occupancy in FY03.

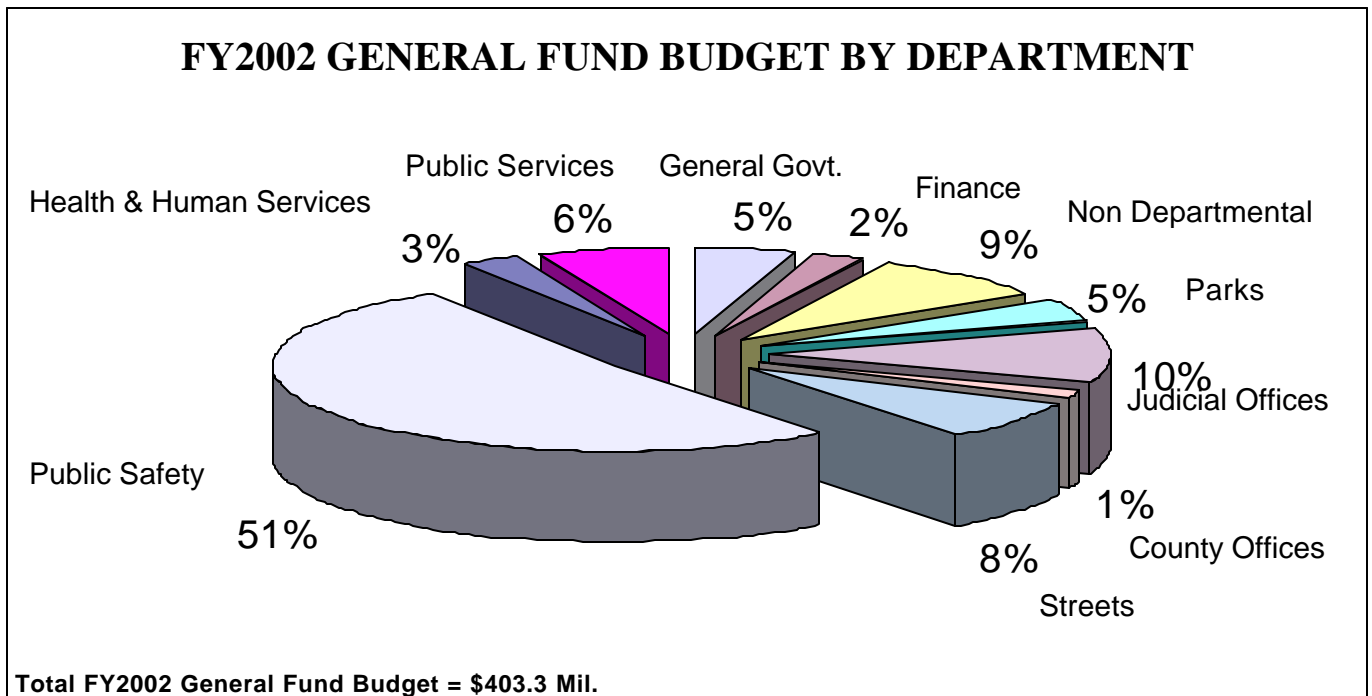
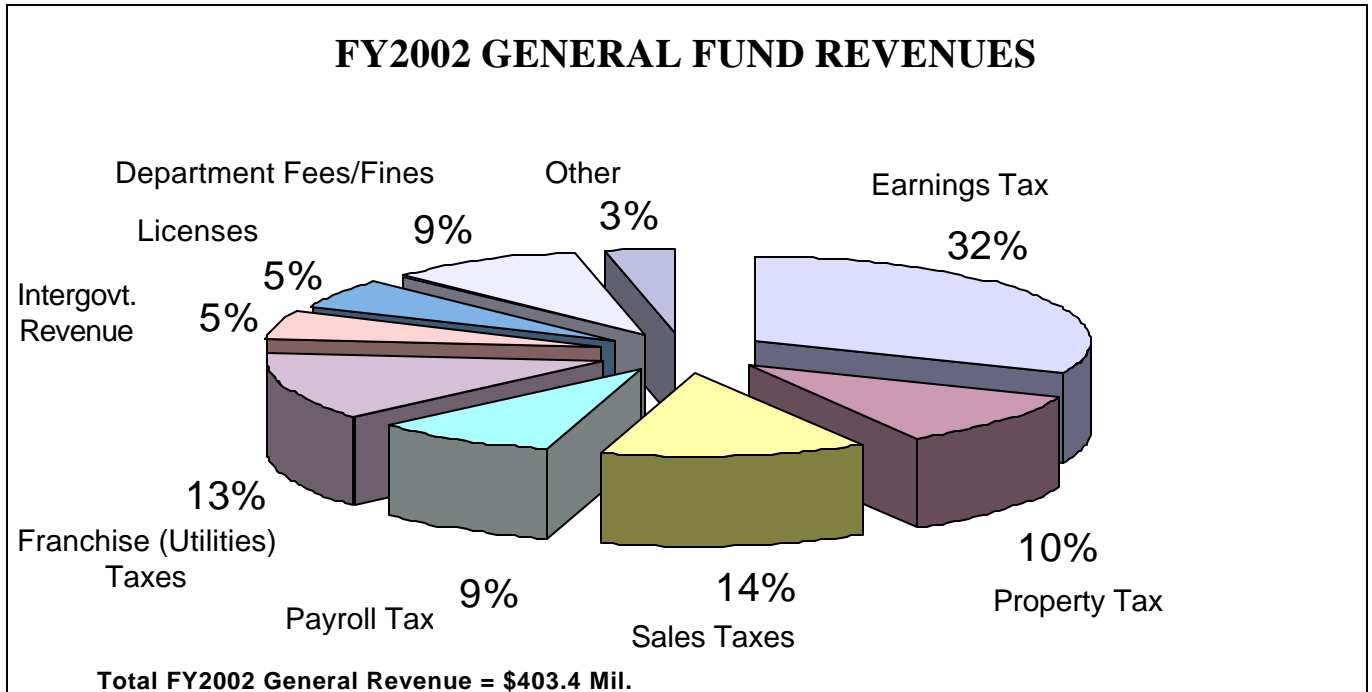
The general fund budget as proposed is in balance with available revenues. However, a balanced budget in FY2002 includes the use of non-recurring revenues such as funds that have



built up over a period of years and use of funds that are in excess of the City's established reserve amount. Where possible, one-time revenues in this budget were intentionally linked to capital improvement projects in order to provide flexibility in the development of future budgets

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The following charts illustrate the sources and uses of funds



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Projected Operating Results

Based on the expected operating revenue and the proposed appropriations previously identified, the operating revenues will exceed the budget by approximately

\$73,000. The table below shows the expected results from operations in FY2002.

Estimated Revenue	\$403,402,000
General Fund Appropriations	<u>403,329,317</u>
Results from operations	\$ <u><u>72,683</u></u>

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CAPITAL IMPROVEMENTS

The City of St. Louis Capital Committee has developed a five-year Capital Improvements Plan containing projects that have an estimated cost of \$400 million. These projects will be funded through a combination of local, state and federal funds. Over the five year period, an estimated \$195 million will be appropriated for cash payments and debt service requirements, and in some cases the local matching share for road and bridge repair projects and major flood protection projects. The FY2002 Capital Budget funds the first year of the plan with a recommended appropriation of \$39.7 million. Sales taxes for capital improvement will generate \$20.6 million in FY2002 or approximately 50% of the total revenue. Other revenues supporting the capital budget include \$11.7 million from the general fund, \$4.0 million from projected gaming revenues, \$0.9 million in special project grants, \$1.8 million from gasoline tax revenue, and \$0.8 million from various other sources.

Capital expenses planned for FY2002 include those for projects designed to further the City's goal of stabilizing neighborhoods as well as

increasing the efficiency of service delivery through replacement of vital equipment required to deliver those services. Also included are funds necessary to comply with federal mandates regarding environmental hazards such as lead and asbestos abatement, and treatment of former underground tank sites. The major categories of planned capital expenses are presented below:

Ward Improvements - \$9.1 million

Each of the City's 28 wards will be allocated \$324,750 for projects such as neighborhood park improvements, street resurfacing, street lighting enhancements, and refuse container replacement. Actual projects will be determined by the ward alderman subject to approval by the Board of Estimate and Apportionment.

Major Parks and Recreation Centers – 4.6 million: The City's six major parks, Forest, Tower Grove, Carondelet, Fairgrounds, O'Fallon, and Willmore will share \$4.1 million. Planned projects include roadway repairs, skating rink renovations, and improvements to tennis courts. A total of \$0.5 million will be expended on recreation centers for projects such as swimming pool repairs and building modifications to comply with ADA standards.

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Facility Improvements - \$14.6 million: Funds categorized as being for facility improvements will service previously incurred debt on the Justice Center and the Civil Courts Building. In addition, improvements are planned for several other city facilities including Soulard Market, Municipal Garage, City Hall, Truman Long Term Care Facility and the newly acquired federal courthouse.

Equipment Replacement - \$3.2 million: Planned expenditures include replacement of rolling stock necessary to the refuse collection and street cleaning operations along with other vehicle replacements. A five-year lease purchase will be used for a replacement of rolling stock at \$2.1 million annually. Replacement and upgrading of computer and communication equipment is also included at a cost of \$0.8 million.

Bridge & Street Improvements - \$4.5 million: Twenty bridge and street improvement projects are funded in conjunction with the federal ISTEA program. The City's share of those projects averages 20% of the total cost. This category

also includes funds for unforeseen bridge repairs, which are not eligible for the federal cost sharing arrangement, as well as any planned arterial street resurfacing.

BUDGET FORMAT

The remainder of this budget document is divided into the following sections:

Budget Overview. This section provides a more detailed discussion of the City's projected revenues and expenditures. The discussion includes an overall economic outlook for the City and includes summary tables illustrating projected revenues and appropriations for all funds.

Department and Program Budgets This section is divided by major City departments. Each department begins with a summary of budget statistics and is followed by division and program budgets within each department.

The division and program budgets are presented in a format that contains narrative information about respective programs and identifies outputs and projected performance levels.

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Capital Improvements: The City's FY2002 Capital Budget and Capital Improvement Plan are presented in this section. A detailed discussion of the five-year plan and description for each capital project are being submitted under a separate cover.

Appendix: The appendix includes supplemental information about the City and its budget including debt issues, the budget process, trends in personnel, etc.

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BUDGET OVERVIEW

This section presents summary information on the FY2002 Annual Operating Plan for the City of St. Louis. The discussion that follows describes the economic outlook for the City and region in the context of both the national and state perspective, and presents a comprehensive review of the general operating fund budget, as well as for enterprise and special revenue funds. Also presented in this section are summary tables of sources and uses of funds for all fund groups and descriptions of the major sources of revenue for FY2002.

ECONOMIC OUTLOOK

U.S. Economy and Outlook

As a measure of economic activity, real Gross Domestic Product (GPD) growth slowed in the final quarter of 2000 to 1.4%, the slowest growth rate in 5 years. Incorporating that weak performance, the new forecast calls for GPD growth of 2.2% for 2001, with disposable income forecasted to grow by 3.5% for the year.

Forecasters now expect gradually rising GPD

growth in 2002 of 3.3% with growth of nearly 4% in both wage and non-wage income. The inflation rate is expected to fall to 2.5% in 2002 while the unemployment rate is expected to remain around 4%. While the U.S. economy is expected to remain strong, some weakening is expected due to slowing consumer spending and significantly higher fuel prices, both of which tend to hurt consumer confidence.

Missouri Economy and Outlook

The Missouri economy has continued to exhibit growth. The unemployment rate remains below 3% while personal income growth continues to be in the 4.5% range, considerably ahead of the inflation rate. The sources of Missouri's economic growth are diverse and include automobile manufacturing, health care, and exports. Current estimates show Missouri increased its exports in the last year by 5%, with the largest categories being chemical and agricultural products. The forecast for 2002 calls for continued low inflation, unemployment below the national average, and personal income growth of about 4%.

St. Louis Economic Outlook

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The City of St. Louis is the core of an eleven county metropolitan area covering parts of both Missouri and Illinois, and as such is the employment and entertainment center of an area containing a population of 2.6 million residents.

It is also the office center of the region with approximately 38% of the area office space. The metropolitan area and the City are major industrial centers in the Eastern Missouri-southwestern-Illinois area with a broad range of industries. According to information supplied by the Missouri Division of Employment Security, there are approximately 1.3 million non-agricultural jobs in the metropolitan area with 60,000 new jobs having been created in the past 5 years. Although the distribution of jobs across industry sectors has resulted in a decline in the City's share of jobs in the metropolitan area, the City remains a significant source of jobs in the region with nearly 25% of all the jobs. Job growth in the City has been concentrated in the service sector and the expectation is that long term employment growth in the City will be in the areas of medical and business services, as well as the convention and tourism business.

Following the national trend, medical service providers in the St. Louis area have merged. One of the resulting corporations, Barnes-Jewish Medical Center, which has its headquarters in the City, has recently begun work on a \$350 million campus integration plan to include in-patient acute care, ambulatory care and a cancer treatment center. According to the Regional Commerce and Growth Association (RCGA), this project once completed will inject an estimated \$428 million into the local economy and provide employment for more than 4,700 employees, creating income of approximately \$145.6 million annually.

The Board of Aldermen of the City has approved a master plan for development of a 1.3 million square feet site situated in the heart of the City directly across from historic Forest Park. Construction is currently underway and will include prime office space, restaurants, and shops to service both campus workers and park visitors, and a Forest Park Visitor's Center as a cultural anchor. The final development will complement rather than compete with Downtown St. Louis by targeting firms that would otherwise locate in outlying suburban areas. It is anticipated

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that once fully occupied, the office campus and surrounding venues will have added hundreds of jobs to the City's tax rolls as well as increasing the assessed value of property in the City.

The metropolitan area's major industries include aviation, biotechnology, chemicals, electrical utilities, telecommunications, and transportation. The Regional Commerce and Growth Association (RCGA) has implemented an economic development campaign to generate 100,000 new jobs in the region by the end of 2004.

Through the provision of city services, maintenance of infrastructure and promotion of tourism and business development, the City will be assured of its continuing role as the region's economic center.

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FY2002 OPERATING PLAN

FUND GROUPS

The general appropriation for the City of St. Louis for FY2002 totals \$753.1 million. In addition to this appropriation, there are funds such as the Community Development Block grant and the Street Improvement funds among others that are appropriated separately. The following is a brief description of the major funds subject to appropriation followed by tables illustrating recent revenue and expenditure history as well as projected performance in FY2002.

General Fund

The General Fund is the general operating fund of the City and accounts for all financial transactions not required to be accounted for in another fund. General Fund expenditures account for about one-half of all City expenditures. As the general operating fund, general fund revenues pay for the majority of services delivered to and paid for by citizens. These include administrative costs as well as more visible services such as police and fire protection, emergency and other medical services

and maintenance of parks and streets.

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds contained in this category include, government grants, the convention and tourism fund, gaming fund, assessment fund, lateral sewer fund, capital funds, tax increment financing funds, transportation fund and other miscellaneous special funds. The debt service fund is used to account for resources and expenses related to the City's general obligation (property tax supported) debt and is also included as a special fund. Two other funds are included in this group for illustrative convenience. The City's mail room service operates as an internal service fund in that it provides mail service to departments on a reimbursement basis. The employee benefits fund is an agency fund in that it administers expenditures for the City's various health plans funded by appropriations from other City funds as well as contributions from City employees.

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Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The major enterprise funds in the City are the Water Division and Airport operations. The Parking Meter Division is also operated as an enterprise fund.

Detailed descriptions of funds within each of these fund groups can be found in the glossary in the Appendix of this documents.

The tables on the following pages contain summary budget information for all funds. A more detailed discussion of the general fund budget and descriptions of trends in major sources of revenue follow.