

**NEW ISSUE**  
**Book-Entry Only**

**Ratings: See "RATINGS" herein**

*In the opinion of Armstrong Teasdale LLP, Bond Counsel, under existing law and assuming, among other matters, continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein and the form of Bond Counsel Opinion attached hereto as Appendix C.*



**\$25,000,000**  
**The City of St. Louis, Missouri**  
**General Obligation Bonds**  
**Series 2016A**

**Dated: Date of Delivery**

**Due: February 15, as shown on the inside cover**

The General Obligation Bonds, Series 2016A (the "**Bonds**") will be issued by The City of St. Louis, Missouri (the "**City**"), for the purpose of providing funds to pay the (1) costs of the Project, as defined and described herein under the section captioned "**PLAN OF FINANCING – The Project**," and (2) costs of issuance related to the Bonds.

The Bonds will be issued as fully registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Actual purchasers of the Bonds ("**Beneficial Owners**") will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the registered Owner (defined herein) of the Bonds, as nominee of DTC, references herein to the Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See the section herein captioned "**THE BONDS – Book-Entry Only System**."

Principal of the Bonds will be payable annually, as set forth on the inside cover hereof, on February 15, commencing on February 15, 2017. Interest on the Bonds is payable semiannually on each February 15 and August 15, commencing on February 15, 2017. So long as DTC or its nominee Cede & Co., is the registered Owner of the Bonds, such payments will be made by UMB Bank, N.A., St. Louis, Missouri, as paying agent and bond registrar directly to such registered Owner. Distribution of such payments to the DTC Participants is the responsibility of DTC. Distribution of payments to Beneficial Owners is the responsibility of the DTC Direct Participants and Indirect Participants, as more fully described herein. See "**THE BONDS – Book-Entry Only System**" herein.

The Bonds are subject to redemption prior to maturity as described herein under the section captioned "**THE BONDS – Redemption of Bonds**."

The scheduled payment of principal of and interest on the Bonds maturing on February 15 of the years 2022 through 2036, inclusive, with CUSIP numbers as shown in the inside cover of this Official Statement (collectively, the "**Insured Bonds**"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Build America Mutual Assurance Company ("**BAM**"). See "**BOND INSURANCE**" and **Appendix E** attached hereto.



**THE BONDS AND THE INTEREST THEREON WILL CONSTITUTE GENERAL OBLIGATIONS OF THE CITY, AND THE FULL FAITH, CREDIT AND RESOURCES OF THE CITY HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS AS THE SAME BECOME DUE. THE CITY IS REQUIRED TO LEVY AN AD VALOREM TAX ON ALL TAXABLE, TANGIBLE PROPERTY, REAL AND PERSONAL, WITHIN THE TERRITORIAL LIMITS OF THE CITY, WITHOUT LIMIT AS TO RATE OR AMOUNT, FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS.**

**This cover page contains information for reference only. It is not a complete summary of the Bonds. Investors must read the entire Official Statement, including the cover page and appendices hereto, to obtain information essential to making an informed investment decision.**

**See the inside cover for principal amounts, maturities, interest rates, yields, prices and CUSIP numbers.**

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters (defined herein), subject to the prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality of the Bonds by Armstrong Teasdale LLP, St. Louis, Missouri, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the City by the City Counselor's Office and by its Disclosure Counsel, Schiff Hardin LLP, New York, New York, and for the Underwriters by their Co-Counsel, Thompson Coburn LLP, St. Louis, Missouri and Richard G. Hughes & Associates, LLC, St. Louis, Missouri. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about November 10, 2016.

**STIFEL**



**Backstrom McCarley Berry & Co., LLC**

**Stern Brothers & Co.**

**Wells Fargo Securities**

The date of this Official Statement is November 2, 2016.

**\$25,000,000**  
**The City of St. Louis, Missouri**  
**General Obligation Bonds**  
**Series 2016A**

**MATURITY SCHEDULE**  
**Base CUSIP<sup>†</sup> 791621**

<b><u>Due</u></b> <b><u>(February 15)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b>
2017	\$1,350,000	1.000%	0.700%	100.078%	UH6
2018	1,135,000	4.000	1.080	103.654	UJ2
2019	1,185,000	4.000	1.250	106.118	UK9
2020	110,000	2.000	1.390	101.939	UL7
2021	130,000	2.000	1.520	101.973	UM5
2022*	150,000	3.000	1.680	106.621	UN3
2023*	165,000	3.000	1.840	106.831	UP8
2024*	185,000	4.000	2.010	113.384	UQ6
2025*	210,000	4.000	2.190	113.611	UR4
2026*	230,000	3.000	2.320	105.637	US2
2027*	1,500,000	5.000	2.480 <sup>C</sup>	120.739	UT0
2028*	1,600,000	5.000	2.570 <sup>C</sup>	119.914	UU7
2029*	1,725,000	5.000	2.690 <sup>C</sup>	118.826	UV5
2030*	1,825,000	5.000	2.790 <sup>C</sup>	117.927	UW3
2031*	1,950,000	5.000	2.860 <sup>C</sup>	117.303	UX1
2032*	2,075,000	5.000	2.930 <sup>C</sup>	116.683	UY9
2033*	2,200,000	5.000	2.990 <sup>C</sup>	116.154	UZ6
2034*	2,325,000	3.250	3.390	98.178	VA0
2035*	2,425,000	3.250	3.430	97.568	VB8
2036*	2,525,000	3.375	3.460	98.808	VC6

<sup>C</sup> Yield calculated to the first optional par redemption date of February 15, 2026.

\* Insured Bonds

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<sup>†</sup> The CUSIP numbers shown above have been assigned by an organization not affiliated with the City or the Underwriters. Neither the City nor the Underwriters are responsible for the selection of CUSIP numbers and make no representation as to the accuracy of such numbers on the Bonds or as indicated herein.

## REGARDING USE OF THIS OFFICIAL STATEMENT

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No dealer, broker, salesperson or other person has been authorized by the City, the Municipal Advisor (defined herein), Bond Counsel or the Underwriters to give information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been furnished by the City, the Municipal Advisor and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City, the Municipal Advisor, Bond Counsel or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale hereunder implies that there has been no change in the matters described herein since the date hereof. This Official Statement neither constitutes an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

If and when an Owner of a Bond elects to sell a Bond prior to its maturity, there is no assurance that a market will have been established, maintained or will be in existence for the purchase and sale of the Bonds. The Underwriters of the Bonds intend, but assume no obligation, to establish or maintain such a market, and the Underwriters are not obligated to repurchase any of the Bonds at the request of the registered Owner or a Beneficial Owner thereof.

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND ORDINANCE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and Appendix E – “Specimen Municipal Bond Insurance Policy.”

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## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget,” “intend” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (1) those relating to the possible invalidity of the underlying assumptions and estimates, (2) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (3) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE CITY ON THE DATE HEREOF, AND THE CITY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION “CONTINUING DISCLOSURE.”**

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**THE CITY OF ST. LOUIS, MISSOURI  
ELECTED OFFICIALS**

Francis G. Slay, Mayor  
Darlene Green, Comptroller  
Lewis E. Reed, President of the Board of Aldermen  
Tishaura O. Jones, City Treasurer

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**BOARD OF ALDERMEN**

Sharon Tyus	Ward 1	Megan E. Green	Ward 15
Dionne Flowers	Ward 2	Donna Baringer	Ward 16
Freeman M. Bosley, Sr.	Ward 3	Joseph D. Roddy	Ward 17
Samuel L. Moore	Ward 4	Terry Kennedy	Ward 18
Tammika Hubbard	Ward 5	Marlene E. Davis	Ward 19
Christine Ingrassia	Ward 6	Cara Spencer	Ward 20
John J. Coatar	Ward 7	Antonio D. French	Ward 21
Stephen J. Conway	Ward 8	Jeffrey L. Boyd	Ward 22
Kenneth Ortmann	Ward 9	Joseph A. Vaccaro	Ward 23
Joseph Vollmer	Ward 10	Scott Ogilvie	Ward 24
Thomas Albert Villa	Ward 11	Shane Cohn	Ward 25
Larry Arnowitz	Ward 12	Frank Williamson	Ward 26
Beth Murphy	Ward 13	Chris Carter	Ward 27
Carol Howard	Ward 14	Lyda Krewson	Ward 28

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**OTHER CITY REPRESENTATIVES**

James M. Garavaglia, Deputy Comptroller  
Denise Peeples, Accounting Coordinator  
Michael Hernton, Fiscal Officer  
Kelley Anderson, Esq., Special Assistant to the Comptroller  
Ryan Coleman, Financial Analyst  
Michael Garvin, Interim City Counselor

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**MUNICIPAL ADVISOR**

PFM Financial Advisors LLC  
Philadelphia, Pennsylvania

**TREASURER'S  
MUNICIPAL ADVISOR**

Comer Capital Group, LLC  
Jackson, Mississippi

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**BOND COUNSEL**

Armstrong Teasdale LLP  
St. Louis, Missouri

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**DISCLOSURE COUNSEL**

Schiff Hardin LLP  
New York, New York

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**CO-UNDERWRITERS' COUNSEL**

Thompson Coburn LLP  
St. Louis, Missouri

Richard G. Hughes & Associates, LLC  
St. Louis, Missouri

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**PAYING AGENT AND BOND REGISTRAR**

UMB Bank, N.A.  
St. Louis, Missouri



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## OFFICIAL STATEMENT

**\$25,000,000**  
**THE CITY OF ST. LOUIS, MISSOURI**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2016A**

*The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement (defined herein). The order and placement of materials in this Official Statement, including the appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page, inside cover page, and the appendices (the “Official Statement”), must be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

## INTRODUCTION

### General

This Official Statement is furnished to prospective purchasers in connection with the offering and sale by The City of St. Louis, Missouri (the “City”) of its General Obligation Bonds, Series 2016A (the “Bonds”), in the aggregate principal amount of \$25,000,000. The Bonds are issued under the authority of the State of Missouri (the “State”), the City’s Charter, and Ordinance No. 70356, adopted by the Board of Aldermen of the City on October 14, 2016, and approved by the Mayor on October 18, 2016 (the “Bond Ordinance”). All capitalized terms not otherwise defined herein have the meaning assigned to those terms in the Bond Ordinance.

### The City

The City is a constitutional charter city and political subdivision of the State. See “**Appendix A – INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**” attached hereto for additional information regarding the City.

### Purpose of the Bonds

The Bonds are being issued for the purpose of providing funds to pay the (1) costs of the Project, as defined and described herein under the section captioned “**PLAN OF FINANCING – The Project,**” and (2) costs of issuance related to the Bonds.

### Security for the Bonds

The Bonds and the interest thereon will constitute general obligations of the City, and the full faith, credit and resources of the City have been irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due. The City is required to levy an ad valorem tax on all taxable, tangible property, real and personal, in the City, without limit as to rate or amount, for the payment of the principal of and interest on the Bonds. See “**SECURITY FOR THE BONDS**” herein. The Bonds are not an obligation of the State or any agency thereof. Neither the full faith and credit, nor the taxing power of the State is pledged to the payment of debt service on the Bonds.

### Continuing Disclosure

The City and UMB Bank, N.A., St. Louis, Missouri, as Dissemination Agent (the “Dissemination Agent”), will enter into a Continuing Disclosure Agreement substantially in the form attached hereto as

**“Appendix D,”** pursuant to which the City will covenant for the benefit of the Beneficial Owners of the Bonds to provide audited financial statements of the City and certain statistical and operating data relating to the City and to provide notices of the occurrence of certain enumerated events. Such audited financial statements, statistical and operating data and notices of events will be filed by or on behalf of the City in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the **“Rule”**). See **“CONTINUING DISCLOSURE”** herein and **“Appendix D – Form of Continuing Disclosure Agreement”** attached hereto.

### **Descriptions, Inspection of Documents**

Brief descriptions of the Bonds, the security for the Bonds, and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references to the Bonds and the Bond Ordinance are qualified in their entirety by reference to such documents. Upon the issuance of the Bonds, the Bond Ordinance will be available for inspection at the offices of the Paying Agent and Bond Registrar (as defined herein).

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and Beneficial Owners of any of the Bonds.

## **THE BONDS**

The Bonds are being issued under the Bond Ordinance. Reference is hereby made to the Bond Ordinance in its entirety for the detailed provisions pertaining to the Bonds.

### **General**

The Bonds are being issued in the aggregate principal amount of \$25,000,000. The Bonds will consist of fully-registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof, numbered from R-1 consecutively upward in order of issuance, due in the amounts and in each of the years set forth on the inside cover page hereof. Interest on the Bonds will be payable semiannually on February 15 and August 15 in each year (each an **“Interest Payment Date”**), commencing on February 15, 2017. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will bear interest from their dated date or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

UMB Bank, N.A., St. Louis, Missouri (the **“Paying Agent”** and **“Bond Registrar”**), has been designated as the City’s paying agent for the payment of principal of, redemption premium, if any, and interest on the Bonds and bond registrar and transfer agent with respect to the registration, transfer and exchange of the Bonds.

The principal of and redemption premium, if any, on the Bonds will be payable to the registered Owners thereof in lawful money of the United States of America upon presentation and surrender of such Bonds as they respectively become due at the payment office of the Paying Agent and Bond Registrar. Interest on the Bonds will be payable to the registered Owners thereof by check or draft mailed by the Paying Agent and Bond Registrar to the persons in whose names the Bonds are registered on the close of business on the first day (whether or not a Business Day) of the month of each Interest Payment Date (the **“Record Date”**) at their addresses as they appear on the bond registration books maintained by the Bond Registrar. **“Business Day”** means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the State are authorized by law to close. Notwithstanding the foregoing, payment of the interest on each Bond will be made by electronic transfer of immediately available funds to any registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds at such electronic transfer address as such registered Owner shall specify if such registered Owner provides written notice to the Paying Agent and Bond Registrar not less than

fifteen (15) days prior to the Record Date on which any such payment is due requesting such electronic transfer and specifying such electronic transfer address, which address will include the name of the bank, its ABA routing number, and the account number to which such transfer shall be directed. Such notice may, if so stated therein, apply to all subsequent payments to such registered Owner while such registered Owner owns at least \$1,000,000 in principal amount of the Bonds.

The Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for DTC, an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered Owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the Participants for subsequent disbursements to the Beneficial Owners of the Bonds. See **“Book-Entry Only System”** below.

### **Registration, Transfer and Exchange of Bonds**

The Bonds when issued will be registered in the name of the Owners on the books of registration of the City to be kept in the payment office of the Bond Registrar for that purpose. Each Bond will be made payable to the registered Owner thereof. Each Bond will be transferable only upon the registration books maintained by the Bond Registrar by the registered Owner thereof in person or by his, her or its attorney duly authorized in writing, upon surrender thereof at the payment office of the Bond Registrar together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered Owner or his, her or its duly authorized attorney. Upon transfer of any Bond and the payment of any fee, tax or governmental charge, the Bond Registrar will issue in the name of the transferee a Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond or Bonds, registered in the name of the transferee, in any denomination authorized in the Bond Ordinance.

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be delivered with the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

### **Redemption of Bonds**

***Optional Redemption of Bonds.*** At the option of the City, the Bonds maturing on February 15, 2027 and thereafter may be called for redemption and payment prior to maturity, at the option of the City, on February 15, 2026 and thereafter, as a whole or in part at any time in any order of maturity as selected by the City and in multiples of \$5,000 within a maturity, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

***Selection of Bonds to be Redeemed.*** Bonds will be redeemed in any order of maturity selected by the City’s Comptroller and only in the principal amount of \$5,000 or any integral amount thereof (each \$5,000 principal payment at maturity shall hereinafter be referred to as a **“\$5,000 Unit”**). When less than all of the Outstanding Bonds of any series are to be redeemed and paid prior to maturity pursuant to the Bond Ordinance, such Bonds shall be selected by the Paying Agent and Bond Registrar in \$5,000 Units of face value in such equitable manner as the Paying Agent and Bond Registrar may determine.

In the case of a partial redemption of Bonds when Bonds of denominations greater than \$5,000 are then Outstanding, for all purposes in connection with such redemption, each \$5,000 Unit will be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 Units represented by any fully registered Bond is selected for redemption, then upon notice of intention to redeem such \$5,000 Unit or Units, the registered Owner of such fully registered Bond or his, her or its attorney or legal representative will forthwith present and surrender such Bond to the Paying Agent and the

Bond Registrar (1) for payment of the redemption price (including the redemption premium, if any, and interest to the date fixed for redemption) of the \$5,000 Unit or Units called for redemption, and (2) for exchange, without charge to the registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such fully registered Bond. If the Owner of any such fully registered Bonds of a denomination greater than \$5,000 shall fail to present such Bond to the Paying Agent and Bond Registrar for payment and exchange, such Bond will, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 Unit or Units called for redemption (and to that extent only).

***Notice of Redemption.*** Notice of the City's intent to redeem Bonds under the optional redemption provisions of the Bond Ordinance (including, when only a portion of the Bonds are to be redeemed, the maturities of such Bonds and the principal amounts thereof) will be given by or on behalf of the City by registered or certified mail, postage prepaid, to the Paying Agent and Bond Registrar, such notice to be mailed not less than forty-five (45) days prior to the date fixed for redemption (unless a shorter notice period is acceptable to the Paying Agent and Bond Registrar). Notice of the selection or call for redemption identifying the Bonds or portions thereof to be redeemed, will be given by the Paying Agent and Bond Registrar on behalf of the City by mailing a copy of the redemption notice at least twenty (20) days, but not more than sixty (60) days, prior to the date fixed for redemption by first class mail, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books; and a second notice of redemption shall be sent by certified mail, return receipt requested, at such address to the Owner of any Bond who has not submitted his, her or its Bond to the Paying Agent and Bond Registrar for payment on or before the date sixty (60) days following the date fixed for redemption; provided, however, that neither any defect in giving such notice by mailing as aforesaid, nor any defect in any notice so mailed will affect the validity of any proceeding for the redemption of any Bond. Any notice mailed as described in this paragraph will be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

The Bond Registrar is also directed in the Bond Ordinance to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards will not affect or invalidate the redemption of any Bond to be redeemed.

With respect to optional redemptions, such notice may be conditioned upon moneys being on deposit with the Paying Agent on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and either the Paying Agent receives written notice from the City's Comptroller that moneys sufficient to pay the redemption price will not be on deposit on the redemption date, or such moneys are not received on the redemption date, then such notice shall be of no force and effect, the Paying Agent shall not redeem such Bonds and the Paying Agent shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not or will not be so received and that such Bonds will not be redeemed.

So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, notice of redemption will be sent to the Securities Depository and shall not be sent to the Beneficial Owner of the Bonds. Any failure of such Securities Depository to advise any of its Participants or failure of a Participant to notify any Beneficial Owner of any notice of redemption will not affect the validity of the redemption proceedings.

***Effect of Call for Redemption.*** Whenever any Bond is called for redemption and payment as provided in the Bond Ordinance, all interest on such Bond shall cease from and after the redemption date, provided funds sufficient for its payment at the price specified in the Bond Ordinance are on deposit at the place of payment.

## Book-Entry Only System

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City and the Underwriters believe to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters. Neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but instead should confirm the same with Direct Participants or Indirect Participants, as the case may be.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtec.com](http://www.dtec.com) and [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants

to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent and Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent and Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent and Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent and Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bonds are required to be printed and delivered to DTC.

**Neither the City nor the Paying Agent and Bond Registrar will have any responsibility, liability, or obligation to such Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants, or the Beneficial Owners.**

## **SECURITY FOR THE BONDS**

***Pledge of Full Faith and Credit.*** The Bonds constitute general obligations of the City. The principal of and interest on the Bonds are payable from ad valorem taxes to be levied without limitation as to rate or



amount upon all taxable, tangible property, real and personal, within the territorial limits of the City sufficient to pay the principal of and interest on the Bonds as the same become due and payable. Said ad valorem tax levy will be in addition to and exclusive of all other taxes authorized to be levied by the City. The Bonds are not an obligation of the State or any agency thereof. Neither the full faith and credit, nor the taxing power of the State is pledged to the payment of debt service on the Bonds.

***Levy and Collection of Annual Tax.*** Under the Bond Ordinance, there is levied upon all of the taxable, tangible property, real and personal within the territorial limits of the City, a direct annual ad valorem tax sufficient to meet principal of and interest requirements on the Bonds. Such ad valorem taxes will be extended upon the tax rolls in each of the several years, respectively, and will be levied and collected at the same time and in the same manner as the other taxes of the City are levied and collected. The proceeds derived from such ad valorem taxes will be deposited in the Debt Service Fund, will be kept separate and apart from all other funds of the City, and will be used solely for the payment of the principal of, premium, if any, and interest on the Bonds, as and when the same will become due, and the fees and expenses of the Paying Agent and Bond Registrar. The Bond Ordinance provides that if at any time such ad valorem taxes are not collected in time to pay the principal of, premium, if any, or interest on the Bonds when due, the Treasurer of the City is authorized and directed to pay such principal, premium, if any, or interest out of the Debt Service Fund or the general funds of the City and to reimburse such Debt Service Fund or the general funds for money so expended when such ad valorem taxes are collected.

## **PLAN OF FINANCING**

### **General**

The Bonds are being issued for the purpose of providing funds to pay the (1) costs of the Project, as defined and further discussed below, and (2) costs of issuance related to the Bonds.

### **The Project**

On April 5, 2016, the qualified electors of the City approved the issuance of the City's general obligation bonds in the aggregate principal amount of \$25,000,000 for the purpose of purchasing, replacing, improving and maintaining the buildings, bridges and equipment of the City, including (1) acquiring fire trucks, ambulances, personal protective equipment and other fire-fighting apparatus for the St. Louis Fire Department, (2) acquiring refuse trucks for the City's Refuse Department, (3) updating computer hardware and software for City departments, (4) providing match share funds to repair, renovate, and replace bridges, and (5) renovating recreation centers, buildings and facilities owned by the City (collectively, the "**Project**").

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## Sources and Uses of Funds

The anticipated sources and uses of the proceeds of the Bonds are as follows (exclusive of accrued interest, if any):

### Sources of Funds:

Par Amount of Bonds	\$25,000,000.00
Plus Net Original Issue Premium	<u>2,396,391.75</u>
Total	<u>\$27,396,391.75</u>

### Uses of Funds:

Deposit to Project Fund	\$26,884,863.84
Costs of Issuance Fund <sup>1</sup>	<u>511,527.91</u>
Total	<u>\$27,396,391.75</u>

<sup>1</sup> Includes legal, municipal advisory, Underwriters' discount, bond insurance premium, accounting, printing and other fees and expenses incurred in connection with the issuance of the Bonds.

## DEBT SERVICE REQUIREMENTS

The debt service requirements on all outstanding general obligation bonds of the City, including the Bonds, are as follows:

Fiscal Year Ended <u>June 30</u>	Outstanding General Obligation <u>Bonds</u>	<u>The Bonds</u>		Total Debt <u>Service</u>
		<u>Principal</u>	<u>Interest</u>	
2017	\$ 3,559,462	\$ 1,350,000	\$ 270,907	\$ 5,180,368
2018	3,581,750	1,135,000	1,013,094	5,729,844
2019	3,598,750	1,185,000	967,694	5,751,444
2020	1,186,850	110,000	920,294	2,217,144
2021	1,186,100	130,000	918,094	2,234,194
2022	1,192,300	150,000	915,494	2,257,794
2023	1,202,450	165,000	910,994	2,278,444
2024	1,221,400	185,000	906,044	2,312,444
2025	1,228,000	210,000	898,644	2,336,644
2026	1,237,600	230,000	890,244	2,357,844
2027	--	1,500,000	883,344	2,383,344
2028	--	1,600,000	808,344	2,408,344
2029	--	1,725,000	728,344	2,453,344
2030	--	1,825,000	642,094	2,467,094
2031	--	1,950,000	550,844	2,500,844
2032	--	2,075,000	453,344	2,528,344
2033	--	2,200,000	349,594	2,549,594
2034	--	2,325,000	239,594	2,564,594
2035	--	2,425,000	164,031	2,589,031
2036	--	<u>2,525,000</u>	<u>85,219</u>	<u>2,610,219</u>
Totals	<u>\$19,194,662</u>	<u>\$25,000,000</u>	<u>\$13,516,251</u>	<u>\$57,710,912</u>

## LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City, threatened against the City that would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by the execution, delivery, validity or performance by the City of the Bond Ordinance. The City is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. One such suit challenges the validity of the City's payroll tax, which generates approximately \$38 million in annual revenue. The suit, styled *Neuner, et al. v. City of St. Louis, et al.*, Case no. 1622-CC00219, was filed on February 1, 2016 in State court. The City and its Collector of Revenue, among others, are defending the case. Except as described herein, in the opinion of the Interim City Counselor, there is no litigation pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on the City's operations or condition, financial or otherwise. See "**Appendix A – INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI – LITIGATION**" herein for a discussion of litigation in which the City is involved.

## FINANCIAL STATEMENTS

The audited basic financial statements of the City and the related report of the City's independent certified public accountants for the Fiscal Year ended June 30, 2015, are included in **Appendix B** hereto. The City's independent public accountants have not completed an audit of any financial statements of the City for any period subsequent to June 30, 2015, and have not conducted any procedures with respect to the Fiscal Year 2015 financial statements subsequent to their audit.

## RATINGS

S&P Global Ratings, a division of S&P Global Inc. ("**S&P**"), has assigned a rating of "A+" to the Bonds. In addition, S&P has assigned a rating to the Insured Bonds of "AA" (Stable) based upon the issuance of the Policy by BAM (as such terms are defined herein under the section captioned "**BOND INSURANCE**"). Moody's Investors Service, Inc. ("**Moody's**") has assigned a rating of "A2" to the Bonds. Such ratings reflect only the views of S&P and Moody's (the "**Rating Agencies**") at the time such ratings are given, and the Underwriters and the City make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the respective Rating Agencies.

The City and BAM have furnished the Rating Agencies with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the Rating Agencies, circumstances so warrant. Neither the Underwriters nor the City have undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the rating could have an adverse effect on the market price and marketability of the Bonds.

## UNDERWRITING

The underwriters listed on the cover page hereof (the "**Underwriters**") have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase all, but not less than all, of the Bonds from the City at an aggregate purchase price of \$27,193,587.25 (which represents the aggregate principal amount of the Bonds, plus net original issue premium of \$2,396,391.75 and less an Underwriters' discount of \$202,804.50). The Underwriters will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including underwriters and other dealers

depositing such Bonds into investment trusts) at prices or yields lower than the public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters.

Siebert Cisneros Shank & Co., L.L.C. has entered into separate agreements with Muriel Siebert & Co., and Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to these distribution agreements, if applicable to the Bonds, Muriel Siebert & Co. or Credit Suisse Securities (USA), as the case may be, will purchase Bonds at the original issue price less the selling concession with respect to any Bonds that Muriel Siebert & Co. or Credit Suisse Securities (USA), as applicable, sells. Siebert Cisneros Shank & Co., L.L.C. will share a portion of its underwriting compensation with Muriel Siebert & Co. and/or Credit Suisse Securities (USA).

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the underwriters of the Bonds, has entered into an agreement (the “**WFA Distribution Agreement**”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “**WFSLLC Distribution Agreement**”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale by the City of the Bonds and with regard to the tax-exempt status of the Bonds are subject to the approving opinion of Armstrong Teasdale LLP, St. Louis, Missouri, Bond Counsel. Copies of such opinion in the form set forth in “**Appendix C – FORM OF BOND COUNSEL OPINION**” will be available at the time of the delivery of the Bonds.

Certain legal matters will be passed upon for the City by the City Counselor’s Office and by its Disclosure Counsel, Schiff Hardin LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by Thompson Coburn LLP, St. Louis, Missouri and Richard G. Hughes & Associates, LLC, St. Louis, Missouri, co-counsel to the Underwriters.

## **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC has been retained by the City as municipal advisor (the “**Municipal Advisor**”) to render certain professional services. As such, the Municipal Advisor has provided advice on the plan of financing and structure of the Bonds and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. The information set forth herein has been obtained from the City and other sources which are believed to be reliable. The Municipal Advisor has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the City, other sources and the City’s certificate as to the Official Statement and the diligence and accuracy of the City, which has certified that it contains no material misstatement or omission of material information.

## **TREASURER'S MUNICIPAL ADVISOR**

Comer Capital Group, LLC, Jackson, Mississippi (“CCG”) serves as municipal advisor to the Treasurer of the City. CCG assisted in the planning and allocation of certain accounts authorized by the Bond Ordinance. CCG Asset Management, LLC (“CCGAM”), an affiliate of CCG, serves as a municipal advisor to the City and will provide advice related to the investment of proceeds of the Bonds and funds invested in connection therewith. Neither CCG nor CCGAM has participated in the preparation, drafting, or review of this Official Statement.

## **TAX MATTERS**

The following is a summary of the material federal and State income tax consequences of holding the Bonds. The summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not (1) discuss all aspects of federal income taxation that may be relevant to investors based upon their personal investment circumstances; (2) describe the tax consequences of certain types of owners subject to special treatment under the federal income tax laws; (3) except for the income tax laws of the State, discuss the consequences to an owner under any state, local or foreign tax laws; or (4) deal with the tax treatment of persons who purchase the Bonds in the secondary market.

*Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.*

### **Federal Income Tax Consequences of Owning the Bonds**

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel assumes compliance with these requirements. In addition, the City has made certain representations and certifications in regards to the Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of the aforementioned representations and certifications of the City, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. It should be noted that interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds

### **State Taxes**

Bond Counsel is also of the opinion that, under existing law and assuming that interest on the Bonds is excluded from gross income for federal income tax purposes, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from State taxable income for purposes of the personal income tax and corporate income tax imposed by the State under Chapter 143 of the Revised

Statutes of Missouri, as amended. Bond Counsel expresses no opinion as to whether the interest on the Bonds is exempt from the taxes imposed by the State on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

### **Original Issue Discount**

Bond Counsel is also of the opinion that, subject to the conditions set forth above, the original issue discount (as described below) in the selling price of any Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the **“OID Bonds”**), to the extent properly allocable to each owner of such Bond, is excluded from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding Underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrue on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals: (1) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount of interest on the OID Bonds as income, even though no corresponding cash interest payment is actually received during the tax year.

### **Original Issue Premium**

The Bonds to be sold in the initial offering at a price greater than the principal amount thereof (hereinafter referred to as the **“OIP Bonds”**) are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the cover page hereof. Under the Code, the difference between the principal amount of an OIP Bond and the cost basis of such OIP Bond to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of an OIP Bond for federal income tax purposes. An owner of an OIP Bond is required to decrease its basis in such OIP Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) it owns the OIP Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on an OIP Bond compounded on each Interest Payment Date. The amortizable bond premium attributable to a tax year is not deductible for federal income tax purposes. Owners of OIP Bonds (including purchasers of OIP Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such OIP Bonds and with respect to the state and local consequences of owning and disposing of such OIP Bonds.

### **Other Federal Tax Matters**

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States of America, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “**IRS**”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “**TAX MATTERS.**” Prospective investors particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Federal Tax Law and Post Issuance Events**

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of interest on the Bonds, and thus on the economic value of the Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of owners of the Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

THE FOREGOING DISCUSSION IN “TAX MATTERS” WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE BONDS. THE FOREGOING DISCUSSION IN “TAX MATTERS” WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

### **CERTAIN RELATIONSHIPS**

Armstrong Teasdale LLP, St. Louis, Missouri, is serving as Bond Counsel, and also represents the City and certain of the Underwriters from time to time on other transactions or matters.

Schiff Hardin LLP, New York, New York, is serving as Disclosure Counsel to the City with respect to the issuance of the Bonds, and also represents the City and certain of the Underwriters from time to time on other transactions or matters.

Thompson Coburn LLP, St. Louis, Missouri and Richard G. Hughes & Associates, LLC, St. Louis, Missouri are serving as Co-Underwriters’ Counsel with respect to the issuance of the Bonds, and each also represents the City and certain of the Underwriters from time to time on other transactions or matters.

## CONTINUING DISCLOSURE

In accordance with the requirements of the Rule, the City and the Dissemination Agent will enter into a Continuing Disclosure Agreement with respect to the Bonds dated as of November 1, 2016, substantially in the form attached as **Appendix D** to this Official Statement (the “**Continuing Disclosure Agreement**”). Pursuant to the Continuing Disclosure Agreement, the City will agree to file or cause to be filed on an annual basis on the Electronic Municipal Market Access (“**EMMA**”) system established by the Municipal Securities Rulemaking Board, in accordance with the Rule: (i) certain annual information and statistical and operating data in regard to the City, (ii) in a timely manner not in excess of ten Business Days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the City to provide the required annual information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters’ obligation to purchase the Bonds is conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

### **Compliance by the City with Prior Continuing Disclosure Obligations**

A 2014 comprehensive review of the City’s compliance with its continuing disclosure obligations concluded that the City consistently filed for the prior five-year period the annual financial information required to be provided pursuant to its continuing disclosure obligations under the Rule. However, certain of such annual financial information was not filed timely, with incidents ranging from 2 to 26 days late with respect to the City’s required annual financial information and, in some cases, later, with respect to certain developer and special district annual financial information required in connection with tax increment and special district financing transactions for which the City has a continuing disclosure obligation. The review further concluded that the City filed the majority of statistical and operating data required to be provided pursuant to its undertakings under the Rule. However, certain of such data was filed late, not filed in the proper format and/or could be considered incomplete. Additional items identified in the review included instances of not reporting certain rating changes and incomplete cross references by CUSIP numbers to annual financial information, including certain statistical and operating data. Subsequent to such review, the City updated its filings and linked its annual financial information including the statistical and operating data.

Supplemental reviews of the City’s compliance with its continuing disclosure obligations concluded that the City’s annual financial information for Fiscal Year (defined in the “**CONTINUING DISCLOSURE AGREEMENT**” attached hereto as **Appendix D**) 2014 was filed on time. However, certain of the statistical and operating data for the City’s continuing disclosure undertakings with a filing date of 180 days after the end of Fiscal Year 2014, was filed from three to five days late, and certain other updates to statistical and operating data compiled by calendar year, were filed when they became available and were 24 days late. Information regarding the City’s retirement systems, which is required to be updated pursuant to certain of the City’s continuing disclosure undertakings, was filed on EMMA from 120 to 151 days late when such information was complete and available.

The City’s annual financial information for Fiscal Year 2015 for the City’s continuing disclosure undertakings with a due date of 210 days after the end of the City’s Fiscal Year, was filed on its due date. However, due in large part to changes in personnel, the City’s annual financial information for Fiscal Year 2015 for the City’s continuing disclosure undertakings with a filing date of 180 days after the end of the City’s Fiscal Year, was filed 30 days late. The annual financial information and certain operating and statistical data were not properly linked to one outstanding CUSIP number. Such CUSIP number has since been properly linked. The unaudited financial statements for a special district for which the City has a continuing disclosure obligation were filed 24 days late. Certain statistical and operating data for certain of the City’s continuing disclosure undertakings was filed from 9 to 22 days late, and certain other updates to statistical and operating data compiled by calendar year, were filed when they became available and were 21 days late. Certain other statistical and operating data for Lambert-St. Louis International Airport that is required to be filed for certain of the City’s continuing disclosure undertakings for Fiscal Year 2015, which had been previously posted on EMMA, has since been substituted with revised data. Information regarding the City’s retirement systems for



Fiscal Year 2015, which is required to be updated pursuant to certain of the City's continuing disclosure undertakings, was filed on EMMA from 63 to 120 days late when such information was complete and available. Other than as stated herein, the City is in compliance in all material respects with its continuing disclosure undertakings for the prior five-year period through the date of this Official Statement.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("**BAM**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Bonds maturing on February 15 of the years 2022 through 2036, inclusive, with CUSIP numbers as shown on the inside cover of this Official Statement (collectively, the "**Insured Bonds**"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as **Appendix E** to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under Section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### **Capitalization of BAM**

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.9 million, \$53.4 million and \$432.5 million, respectively.

BAM is a party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "**BOND INSURANCE.**"

#### **Additional Information Available from BAM**

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditisights/](http://buildamerica.com/creditisights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g., general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **CERTIFICATION OF OFFICIAL STATEMENT**

Simultaneously with the delivery of the Bonds, the City will furnish to the Underwriters a certificate which shall state that, to the best of the signor's knowledge and belief, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the City and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion herein is subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, since the date hereof. This Official Statement, its execution and its delivery to and distribution by the Underwriters to prospective purchasers of the Bonds, have been duly approved and authorized by the City.

**THE CITY OF ST. LOUIS, MISSOURI**

By: /s/ Francis G. Slay  
Francis G. Slay, Mayor

By: /s/ Darlene Green  
Darlene Green, Comptroller

## **APPENDIX A**

### **INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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**APPENDIX A**  
**INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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## **APPENDIX A**

### **INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

The information contained in this Appendix A (this “*Appendix*”) relates to and has been obtained from The City of St. Louis, Missouri (the “*City*” or “*St. Louis*”). The delivery of this Official Statement is not intended to create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

The City’s fiscal year is currently July 1 to June 30 (the “Fiscal Year”).

### **ORGANIZATION AND GOVERNMENT**

#### **General**

The City is located on the Mississippi River, the eastern boundary of the State of Missouri (the “*State*”), just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City is a constitutional charter city not a part of any county, organized and existing under and pursuant to its Charter, the Constitution and the laws of the State.

The City is popularly known as the “Gateway to the West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the nation’s tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial located on the Downtown (as defined herein) riverfront.

#### **Government**

The City’s system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City’s voters.

The Mayor is elected at large for a four-year term and is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City’s boards and commissions. The Mayor possesses the executive powers of the City and those powers are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City’s chief fiscal officer and is elected at large for a four-year term. Pursuant to the City Charter, the Comptroller is the Chairman of the Department of Finance for the City and has broad investigative and audit powers with regard to the City’s departments and agencies. The Comptroller also has administrative responsibility for all of the City’s financial departments, accounting procedures and contractual obligations.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen consists of 28 Aldermen and a President. One Alderman is elected from each of the City’s 28 wards to serve a four-year term. Terms are staggered, with elections held bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. Pursuant to an amendment to the City Charter, approved by the voters of the City in 2012, the number of Aldermen will be reduced to 14 beginning in 2022 after the completion of the 2020 Census.

The Board of Aldermen may adopt bills or ordinances that the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor’s veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment consists of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see **“FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - Budget Process”** herein.

Most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen. The Sheriff, City Treasurer, Collector of Revenue, License Collector, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms. Appointments of certain officials, including the members of the Board of Election Commissioners, are made by the Governor of the State.

## **CITY FUNDED SERVICES AND AGENCIES**

### **General**

The City provides a wide range of municipal services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

### **Water**

The Water Division is an enterprise fund of the City. As such, the Water Division is supported solely from its sale of water to City business and residential customers as well as to customers in St. Louis and St. Charles counties. The Water Division receives no financial support from the City's general revenue or other non-Water Division funds. The City's waterworks system consists of two water treatment plants, three reservoirs and approximately 1,300 miles of distribution piping. While the system is capable of processing 360 million gallons per day, current average daily processing is approximately 120 million gallons. Storage capacity of the reservoir system is 128.6 million gallons. The Water Division serves more than 79,000 residential customers and 13,000 industrial and commercial customers. While all commercial and industrial customers are metered, most of the residential customers are billed on a flat-rate basis, which is calculated based on the number of rooms, water closets, bathtubs or showers and front footage. For more than 115 years of testing, the Water Division has complied with all water quality regulations.

### **Airport**

Lambert-St. Louis International Airport (the *“Airport”*) is owned by the City and is located outside the corporate limits of the City in St. Louis County, Missouri (the *“County”*). The St. Louis Airport Authority (the *“Airport Authority”*) is the organization assigned to oversee the operation of the Airport for the City. The Airport Authority was created in 1968 by an ordinance adopted by the Board of Aldermen. The Airport Authority is directed by the Airport Commission and the Airport Director. Currently, the Airport Authority has approximately 529 full-time employees. The Airport is an enterprise fund of the City. The Airport receives no financial support from the City's general revenue or other non-Airport funds. See also **“ECONOMIC AND DEMOGRAPHIC DATA –Transportation – Airport”** herein.

### **Parking Division**

The parking division of the City (the *“Parking Division”*) operates the municipal parking facilities in the City and functions as a self-supporting enterprise fund of the City, operating without taxpayer funding. Costs of operation, capital improvements and other costs relative to such municipal parking facilities are paid by revenues generated by the Parking Division. The Treasurer of the City is the Supervisor of Parking Meters and in such capacity manages the operations of the Parking Division with oversight by the Parking Commission of the City (the *“Parking Commission”*). The Parking Commission also assists in the planning and coordination of the parking policies of the City.

## **Fire Protection**

The Fire Department of the City of St. Louis (the “*Fire Department*”) provides fire protection and emergency medical services throughout the corporate limits of the City. It also provides fire protection to the Airport. Fire services in the City are provided from 30 fire stations currently staffed by approximately 567 full-time firefighters. An estimated 62 full-time firefighters serve the Airport. In addition to the firefighters, the Fire Department employs approximately 189 emergency medical services and civilian employees. The Fiscal Year 2016 general fund expenditures for the Fire Department were approximately \$65.0 million (unaudited), which included \$6.6 million (unaudited) in pension costs. See “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - Pension Reform” and “RETIREMENT SYSTEMS” herein.

## **Police**

Administrative and financial control of the Metropolitan Police Department, City of St. Louis (the “*Police Department*”) now rests with the City following previous State control. On November 6, 2012, the voters of the State approved a ballot measure that enabled the City to assume control of the Police Department. The Board of Aldermen passed Ordinance No. 69489 accepting responsibility, ownership and liability as successor-in-interest for the contractual obligations, indebtedness, and other obligations of the Board of Police Commissioners and the Mayor signed Executive Order No. 48 establishing the Police Department under the Department of Public Safety and assumed control of the department under the City Charter on September 1, 2013. Fiscal Year 2016 general fund expenditures for the Police Department were approximately \$156.5 million (unaudited), which included \$28.4 million (unaudited) in pension costs. See “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - Pension Reform” and “RETIREMENT SYSTEMS” herein.

## **OTHER LOCAL COMMISSIONS AND AGENCIES**

There are a number of significant governmental authorities and commissions that provide services within the City. Certain City officeholders and representative bodies have appointment powers by State statute to a number of agencies that provide services within the City. Several of the major authorities and commissions are detailed below.

### **The Metropolitan St. Louis Sewer District**

The Metropolitan St. Louis Sewer District (“*MSD*”) is organized pursuant to Article VI, Section 30 of the Missouri Constitution, which empowers the people of the City and the County “to establish a metropolitan district for functional administration of services common to the area included therein.” MSD is the only special district in the State established pursuant to that section of the Missouri Constitution. MSD was created to provide a metropolitan-wide system of wastewater treatment and sanitary sewerage facilities for the collection, treatment and disposal of sewage to serve the City and most of the more heavily populated areas of the County. The City is not responsible for the debt, obligations or expenses of MSD.

A duly-appointed board is the governing body of MSD. The board consists of six members, with three members appointed by the Mayor and three members appointed by the County Executive.

MSD operates the fourth largest wastewater treatment system in the United States of America (the “United States”). MSD’s service area encompasses 525 square miles including all 61.4 square miles of the City and 463 square miles (approximately 90%) of the County. Only the extreme western parts of the County are not served by MSD. MSD provides sanitary sewer collection and treatment and storm water management to approximately 1.3 million people.

In April 2016, the voters within MSD approved Proposition Y covering the issuance by MSD of \$900 million in sewer system revenue bonds for wastewater infrastructure improvements over the next four years to comply with federal and State clean water requirements. As a result, the average rate for

MSD customers in the City and the County will increase by approximately \$20 per month starting in 2019. In addition to the approval of the MSD bond issuance, voters in April 2016 also approved Proposition S which will revamp funding for the regional storm water system. Historically, MSD provided limited storm water service to the City and the County, and how much service and the type of services varied depending on location. Proposition S will put all customers on one tax rate so that all customers will receive the same level of storm water service. The tax increase from Proposition S will average approximately \$.72 a year in the City; \$47 per year in areas in the western part of the County past the I-270 beltway; and will decrease an average of \$22 per year in the mid-County area along the I-170 beltway.

## **Metro**

The Bi-State Development Agency of the Missouri-Illinois Metropolitan District d/b/a Metro (“Metro”), was established by an interstate compact between the states of Missouri and Illinois approved by an Act of Congress in 1950. While Metro has broad powers including the ability to plan, construct, maintain, own and operate bridges, tunnels, airport and terminal facilities (among other powers), and such additional power as conferred upon it by the legislature of both states, it is best known for operating public transit services. A ten member Board of Commissioners sets policy and direction for Metro. All Metro Commissioners are residents of the area served by Metro; five Missouri Commissioners are chosen by the State and five Illinois Commissioners are chosen by the State of Illinois in the manner and for the terms fixed by each states’ respective legislatures. From July 1, 2015 to June 30, 2016, Metro provided approximately 44 million passenger trips and operated 26.9 million revenue miles of service in a 558 square mile service area that includes the City and the County in Missouri, and St. Clair, Madison and Monroe counties in Illinois. In 1993 Metro began operating a light rail transit service which currently extends for 46 miles. The largest component of the transit system, however, remains the bus service.

The predominant sources of revenue for Metro include appropriation of sales taxes approved by the voters of the City and the County, federal grant funds, funds from the Illinois Department of Transportation and St. Clair County Transit District, State subsidies and passenger fares. The majority of two separate quarter cent sales taxes and a half cent sales tax collected by the City have historically been appropriated to Metro. During Fiscal Year 2016, such sales tax subsidy appropriated to Metro totaled approximately \$40.28 million.

## **St. Louis Development Corporation**

The St. Louis Development Corporation (the “SLDC”) is a nonprofit corporation which provides technical assistance, staff and support services and economic incentives to public and civic bodies and private entities engaged in improving economic opportunities in the City. SLDC functions as an umbrella entity for numerous boards and authorities with a broad variety of functions and powers in the City. SLDC focuses on growing investments and jobs in the City by enhancing real estate values and enabling sustainable and successful neighborhoods and business districts. SLDC’s approximately 63 staff members work in several divisions, including executive, real estate, port development, development incentives, major projects, communications, legal, finance and administration. Working as a team with the Comptroller's office, the Mayor's office, the Board of Aldermen and the Planning Commission, SLDC administers various boards and commissions, including: the Land Clearance for Redevelopment Authority; the Planned Industrial Expansion Authority; the Land Reutilization Authority; the Local Development Company (Small Business Administration); The Industrial Development Authority of the City of St. Louis, Missouri (the “*Industrial Development Authority*”); the Port Authority; the Tax Increment Financing Commission; the Clean Energy Development Board and the Enhanced Enterprise Zone Commission. Although SLDC works with a variety of City departments on various development initiatives, SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

Other planning and economic development related public bodies and agencies operating in the City and cooperating with SLDC include, but are not limited to, the St. Louis Housing Authority, the

Regional Convention and Visitors Commission, the Regional Chamber, the East-West Gateway Council of Governments, the Regional Convention and Sports Complex Authority and Downtown STL, Inc.

In 2013, the St. Louis Economic Development Partnership was established, creating a regional economic development team consisting of the business development staff of SLDC and the economic development staff of the County. The mission of this joint effort is to support and attract new and growing businesses to the City and the County by, in part, administering a variety of loans working in conjunction with the Local Development Corporation, the Small Business Administration and the federal Economic Development Administration.

### **St. Louis Convention and Visitors Commission**

The St. Louis Convention and Visitors Commission (“SLCVC”) is an outgrowth of the City’s St. Louis Tourism Bureau, founded in 1909 by a group of local business leaders after the success of the 1904 World’s Fair, and the St. Louis County Office of Tourism. In 1984, those entities were combined by an act of the State legislature to form SLCVC as a regional commission of the State. The legislation also provided for a new hotel/motel gross receipts tax to fund the SLCVC and the Regional Arts Commission. The SLCVC is the official destination marketing organization responsible for selling the City and the County as convention and meeting sites and as leisure travel destinations. The SLCVC’s eleven-member Board of Commissioners is headed by a chair appointed by the Governor of the State. Five board members are appointed by the Mayor of the City and five are appointed by the County Executive of the County. The SLCVC uses its hotel/motel gross receipts tax proceeds as well as revenues directly generated by America’s Center (defined below) and State funding, when available, to market and operate America’s Center.

In addition to its overall marketing functions, the SLCVC is also responsible for managing and marketing, pursuant to operating leases, the region’s two primary convention facilities as the “America’s Center.” America’s Center, which consists of a convention center (the “*Convention Center*”) formerly owned by the City and now owned by a City-affiliated nonprofit corporation and leased to the City pursuant to a lease purchase agreement, and the Dome at America’s Center (the “*Dome*”), constructed and owned by the Regional Convention and Sports Complex Authority (discussed below). The City is responsible for paying all of the debt service on bonds issued to build and improve the Convention Center and all of the capital expenses related to the Convention Center that are not financed with debt. See “**DEBT OF THE CITY**” herein.

The Convention Center, located in downtown St. Louis, is the largest convention facility in the Metropolitan Area (as defined herein) and the only convention facility in the region capable of competing for national and regional conventions and trade shows. When originally completed, the Convention Center was the eighth largest facility of its kind in the United States. In order to enhance the competitiveness of the Convention Center, the City undertook a major expansion and renovation program in 1993 in conjunction with the construction of the Dome. As a result of the 1993 renovation program, which included the acquisition of additional land as well as expansion of the existing facilities, the Convention Center property now contains 340,000 square feet of exhibit space in five halls, as well as 66 meeting rooms, the Ferrara Theatre, and the St. Louis Executive Conference Center.

### **St. Louis Regional Convention and Sports Complex Authority**

The St. Louis Regional Convention and Sports Complex Authority (the “*Authority*”), established in 1990 as a separate legal entity by an act of the State legislature, is governed by an 11 member board of commissioners. The Mayor of the City and the County Executive of the County each appoint three members, and the Governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, the County and the State because the Authority is subject to the joint control of the City, the County and the State.

The three governments entered into a contractual agreement with the Authority to sponsor the issuance of bonds to pay for the construction of the Dome at America’s Center, to repay the bonds

through rental payments to the Authority, subject to annual appropriation, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility for the City, the County and the State. In addition, in October 2011, the Authority, in cooperation with the SLCVC, completed \$30 million in enhancements and improvements to the Dome. The Dome as originally constructed was intended as a home for a National Football League (“NFL”) team as well as an expansion of the region’s convention and meeting capacity and a venue for large concerts and other entertainment events. With the departure of the former St. Louis Rams (the “Rams”) to Inglewood, California in 2016, the Dome is no longer home to an NFL team. Bonds issued to pay for the Dome’s construction will be fully paid in 2020-21; the City, County and State obligation to make preservation payments continues through 2025. See “ECONOMIC AND DEMOGRAPHIC DATA-Sports Related Economic Development.”

## **Education**

The public school systems within the City are currently operated under the administration and control of the Transitional School District of the City of St. Louis (the “*School District*”) and The Community College District of St. Louis and St. Louis County, Missouri (the “*Community College District*”). The School District provides elementary and secondary education within the City; the Community College District provides post-secondary primarily vocational education within the City and the County. Each district has a separate governing body, a separate budget and separate administrative structures. The School District and the Community College District are each empowered to levy taxes within their jurisdictions sufficient to finance the operations of each respective system. The School District encompasses approximately 61.4 square miles and is located entirely within the corporate limits of the City. The estimated population of the City and therefore the School District was 319,294 as of 2010 according to the Bureau of the Census. The School District is one of the largest public school systems in the State, and operates 79 schools, including 47 elementary, 10 middle, 14 high and 8 special or alternative schools, all with an average daily enrollment of approximately 25,166 students in grades pre-kindergarten through grade 12. The State Board of Education removed the School District’s accreditation status on June 15, 2007. Prior to June 15, 2007, the School District was governed by the Board of Education of the City, a seven-member elected board. At the time the School District lost its accreditation, a three-member special administrative board was appointed to act as the governing body of the School District. On October 16, 2012, the State Board of Education voted to change the School District’s accreditation status to provisionally accredited, thus restoring the School District’s accreditation. On October 23, 2015, the Missouri Department of Elementary and Secondary Education (“DESE”) released the Annual Performance Reports (“APR”) for districts and individual schools through the Missouri School Improvement Program (“MSIP”). Based on the data released by DESE, the School District received 106.5 APR points, eclipsing the 98 points required to qualify for full accreditation. The State Board of Education has the final say on whether the School District will move from provisional accreditation to full accreditation. Currently, the three-member special administrative board (“SAB”) continues to act as the governing body of the School District, and will remain the School District’s governing body through at least June 30, 2019. The SAB appoints the Superintendent of Schools, who is the chief administrative officer of the School District and is responsible for carrying out the policies set by the special administrative board. The City is not responsible for the debt, obligations, or expenses of the School District.

In April 2016, 69% of the voters in the City approved a tax increase of \$.75 per \$100 of assessed property to provide \$28 million annually for teacher salaries, early childhood education, and expanded education programs.

The State also allows public charter schools to operate in the City (§160.400 R.S.Mo.). A significant source of the School District’s annual revenues is from monies appropriated by the Missouri General Assembly each year pursuant to a formula contained in State statutes. Under the formula, the School District’s aid is decreased for each student that attends a charter school in the City. Each charter school receives an amount calculated for each School District resident student attending such charter school pursuant to a statutory formula, which amount is deducted from the School District’s State aid.

Historically, the amount a charter school receives has exceeded the amount of State aid the School District received for the student. In Fiscal Year 2016, approximately \$95.5 million of State aid for the School District was identified for charter schools and the amount identified for charter schools in Fiscal Year 2017 is expected to be approximately \$98.4 million. The School District is currently engaged in litigation with the State to reclaim a portion of the revenues that have been received in the past and may be received in the future by the City's charter schools.

## **Solid Waste Management and Development Corporation**

The Solid Waste Management and Development Corporation (the “*SWMDC*”) owns a system of underground pressurized steam transport pipe in the Downtown St. Louis area commonly known as the “steam loop.” The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in Downtown St. Louis. The steam loop is leased to a steam-generating private operator unrelated to the City. The lease term is to expire in March 2017. The City is in the process of negotiating the terms of a new long term lease with the current operator. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff and director of the Street Department of the City (the “*Street Department*”). Separate financial statements are not prepared for SWMDC. SWMDC is governed by employees of the City and, therefore, the City can assert its control over SWMDC.

## **Library**

The St. Louis Public Library (the “*Library*”) is located in the City and serves an urban population of approximately 350,000. The Library's mission is to provide learning resources and information services that support and improve individual, family and community life. The Library strives to meet the informational and recreational needs of patrons through appropriate collection development, thoughtful programming and effective promotion of library services to the community.

Currently, the system consists of 16 branches and the Central Library with 3.6 million items in its collection, approximately 76,000 cardholders, approximately 340 full-time staff, and approximately 2.3 million visitors annually. An approximately \$70 million redevelopment of the historic Central Library was completed in 2012.

## **ECONOMIC AND DEMOGRAPHIC DATA**

### **Population Statistics**

The 61.4-square-mile City is the center of the St. Louis Metropolitan Statistical Area (the “*Metropolitan Area*”) consisting of the City, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois and a portion of the City of Sullivan located in Crawford County, Missouri. As of 2014, The Metropolitan Area, covering approximately 8,649 square miles in the States of Missouri and Illinois, is the 19th largest metropolitan area in the United States in terms of population.

The following table sets forth the population statistics for the City and the Metropolitan Area for the indicated calendar years:

<b>Year</b>	<b>City of St. Louis</b>	<b>Metropolitan Area</b>
1980	452,801	2,503,549
1990	396,685	2,580,897
2000	348,189	2,698,687
2010 <sup>1</sup>	319,294	2,787,701

<sup>1</sup> Washington County, Missouri was removed from the Metropolitan Area statistics effective retroactively to the 2010 Census  
Source: Bureau of the Census

While the 2010 Census showed that the City had dropped 8.3% in population to 319,294, significant reinvestment in the Downtown area of the City over the decade has established a base for the City's future health and growth. The Downtown's core is comprised of two City neighborhoods, familiarly known as "Downtown" and "Downtown West," and encompasses approximately 2.15 square miles. The Downtown core population at the end of 2015 was 8,916, which is an approximately 7.6% increase from 2014.

## **Industry and Commerce**

The Metropolitan Area and the City have continued their successful transition from a predominantly heavy manufacturing-based economy to one based on focused industry clusters. The industry clusters are: plant and life sciences, information technology, advanced manufacturing, financial services, and transportation and distribution.

The Metropolitan Area is a major business center with the headquarters location of such companies as Energizer Holdings, Express Scripts, Emerson Electric, Monsanto, Reinsurance Group of America, Scottrade, Centene, Graybar Electric, Brown Shoe, Enterprise Rent-A-Car, Edward Jones, and Apex Oil. The City itself hosts such notable companies as Peabody Energy, Sigma Aldrich, Stifel Financial, U.S. Bancorp Community Development Corporation, Wells Fargo Advisors, and the AB/InBev headquarters for the North American Region.

The City is also a major center for higher education with the Washington University School of Medicine, and a portion of Washington University's main campus and St. Louis University's main, law and medical school campuses, and for health care with BJC HealthCare all being headquartered in the City.

## **Tourism**

According to the CVC, the City ranks among the top 25 markets nationally for hotel room inventory. Each year an estimated 25.9 million people visit the City for conventions, meetings, and other business and leisure travel. Such visitors spend an estimated \$5.4 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services. Travel and tourism ranks among the top 6 industries in the City and the County, employing approximately 88,000 area residents.

Downtown St. Louis has more than 7,170 hotel rooms within a mile of the Convention Center. In Fiscal Year 2016, 155 events with a total attendance of approximately 1,075,590 people took place in the Convention Center. (See "**ECONOMIC AND DEMOGRAPHIC DATA - Sports Related Economic Development**" below for a discussion of the relocation of the Rams to Inglewood, California.) The St. Louis hotel industry provides accommodations at such premier hotel brands as the Marriott, Four Seasons, Hilton, Embassy Suites, Drury, Holiday Inn and Hyatt as well as at newly developed boutique hotels, most of which are located in the City. In total, St. Louis offers more than 38,000 hotel rooms in the Metropolitan Area, with a first-class transportation system to easily connect meeting attendees with their destinations.

The City Museum opened for visitors in 1997 and attracts more than 700,000 guests annually. The venue is a multi-story playhouse designed to host conventions and meeting groups. It is located near the America's Center convention complex and downtown hotels.

Opened in 2014, the Ballpark Village entertainment complex has several special event spaces and the Cardinals Hall of Fame Museum. The entire venue can host an event for up to 10,000 guests. Smaller events inside the village can be booked at several venues. The approximately \$240 million Phase II project is anticipated to begin in 2017.

The National Blues Museum opened in April 2016. It features innovative, interactive and technological exhibits. The 23,000-square foot facility includes multifunctional space for performances



and events to accommodate from 15 to 450 guests. The museum provides blues musical education, programming and opportunities to create blues music in a mixing booth.

The \$380 million CityArchRiver project that will transform the national park surrounding the Gateway Arch. Designed by world-renowned landscape architecture firm Michael Van Valkenburgh Associates, the project is scheduled to finalize in 2017. The new park will offer safe green spaces for pedestrians walking to the historic monument on the riverfront to downtown hotels and the America's Center convention complex.

## **Transportation**

### **Airport**

The Airport is the primary commercial airport for the Metropolitan Area and is the nation's 31<sup>st</sup> busiest airport by total passengers according to the Airports Council International (ACI) North American traffic report. The Airport has 4 all-weather runways, 2 terminals, and is configured for up to 86 gates. Twelve signatory airlines served the Airport in Fiscal Year 2016. There were 185,865 aircraft operations in calendar year 2015, including passenger, general aviation and military aircraft operations.

The Airport served approximately 13.3 million passengers in Fiscal Year 2016, up 6.4% from Fiscal Year 2015. In Fiscal Year 2016, Southwest Airlines accounted for approximately 52.5% of enplaned passengers, the largest share held by a single airline. American Airlines and US Airways merged during Fiscal Year 2016 and accounted for a combined 19.0% share of enplaned passengers in Fiscal Year 2016. Delta Air Lines accounted for a 13.4% share of enplaned passengers in Fiscal Year 2016.

The Airport completed the Airport Experience Program, a \$70 million interior renovation project, in 2014. The Airport Experience Program is the single largest interior renovation of the Airport's historic Terminal 1 since it opened in 1956. The renovations include new or renovated restrooms, an improved security checkpoint, new flooring, ceiling and wall finishes, new ticket counters, and improved passenger flow throughout the renovated areas. In addition, the Airport's roof was replaced with a copper roof in December of 2014.

The Airport's Air Service Marketing Program continues its efforts to attract new service with existing air carriers as well as new airlines. Furthermore, the Airport launched a 2015-2020 Strategic Plan with financial stability as a key component of such plan that includes several metrics to ensure financial success: lowering passenger costs, growing non-aeronautical revenues, increasing cargo revenues and generating more revenue from underutilized land assets.

### **Multimodal Transportation**

The regional Port of Metropolitan St. Louis, as defined by the U.S. Army Corps of Engineers, ranks as the third largest inland port in the United States handling more than 39 million tons of freight each year. The City's 19-mile riverfront moves over half of that tonnage. In partnership with the U.S. Economic Development Administration, the St. Louis Port Authority (the "*Port Authority*") completed a \$19.8 million dock rebuild in 2013 to expand the capacity and versatility of the City's Municipal River Terminal ("*MRT*") on the north riverfront (the "*EDA Project*"). The 2,000 foot dock can handle increased tonnages of bulk commodities and possibly international shipping containers. Such capacity does not currently exist anywhere on the 12,000-mile U.S. Inland Waterway. In 2015, the Port Authority negotiated a 25-year operating lease for the MRT with SCF Lewis and Clark Terminals LLC ("*SCF*"), a national company with local roots and international shipping connections.

The Port Authority continues to invest in the MRT's infrastructure. In 2015 it concluded a \$665,000 upgrade to the north dock, which was not part of the EDA Project. In October 2016, the Port Authority completed \$466,000 in improvements to the south dock's 90,000 square foot warehouse that included replacing interior and exterior lighting with energy-efficient LED's. The Port Authority

received a \$317,334 State grant toward this work and SCF provided the remainder of the funding. In addition SCF has upgraded existing doors at the warehouse and is currently reskinning the walls.

The Port Authority is currently working with SCF to expand rail service at the MRT. The Port Authority has hired Jacobs Engineering Group Inc. for a site grading and drainage plan, flood wall gate alterations, and construction documents. For exterior rail access planning, the Port Authority hired Design Nine, Inc. The total project will build new interior and exterior track to allow 110-car unit trains into the yard where they will be loaded/unloaded in less than 24 hours. The City's Board of Public Service will let the project, which has an estimated cost of \$3.0 million. The Port Authority has received \$1.2 million in State funding toward the project. SCF will provide the 20% match and the additional funds required to complete the project.

SCF continues to expand the MRT's physical plant. It has demolished several structures and is planning to construct a new warehouse. SCF has funded the demolitions and will provide 100% of the funding for the new warehouse and other such projects.

In 2012, the metropolitan planning agency, East-West Gateway Council of Governments ("*East-West*"), completed a Regional Freight Study that called for the creation of a regional freight authority. The Port Authority, East-West, and other area shipping interests, created the St. Louis Freightway in 2014 and hired its Executive Director in 2015. Housed at the Bi-State Development Agency, the Freightway will spearhead freight infrastructure improvements and marketing strategies to promote the region across the country and around the world. In addition to being located at the heart of the Inland Waterway, St. Louis has the third largest U.S. rail hub, connected to regional short lines and six Class 1 railroads, including BNSF Railway, Canadian National, CSX, Kansas City Southern, Norfolk Southern and Union Pacific. St. Louis also has state-of-the-art intermodal trucking and rail facilities that provide many benefits to the freight transportation business, including increased efficiency of cargo handling, improved security and allowing faster transportation of freight.

## **Employment**

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri and the Southwestern Illinois areas with a broad range of manufacturing enterprises. According to the U.S. Department of Labor, July 2016 data shows that manufacturing jobs represented 8.2% or 112,000 of the total 1,364,500 non-farm jobs in the Metropolitan Area. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications and transportation.

There were 222,249 non-farm jobs within the City as of March 2016, representing 8.1% of the State's job base. Job growth in the City has been concentrated in the service sector, and the City anticipates strong, long-term employment growth related to the industry clusters set forth above under the heading "**Industry and Commerce.**" The City also anticipates similar growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

The following table reflects the City's annual average employment by industry group for calendar year 2015:

**City Employment by Industry Group**  
(Total Non-Farm)

<b><u>Industry Group</u></b>	<b><u>Employees</u></b>	<b><u>Percentage</u></b>
Services - Education & Health	59,897	28.3%
Services - Professional & Business	35,797	16.9
Government	29,891	14.1
Leisure & Hospitality	26,494	12.5
Transportation & Utilities	15,716 <sup>1</sup>	7.4
Manufacturing	17,877	8.4
Finance Activities	14,442	6.8
Services - Other	6,475	3.1
Natural Resources, Mining & Construction	- <sup>2</sup>	-
Information	5,013	2.4
<b>Total</b>	<b>211,602</b>	<b>99.9%<sup>3</sup></b>

Source: U.S. Bureau of Labor Statistics ("BLS"), Quarterly Census of Employment and Wages (Annual Averages)

<sup>1</sup>Formerly: Trade, Transportation & Utilities. BLS no longer includes Trade in this category.

<sup>2</sup>Data no longer meets BLS or State agency disclosure standards.

<sup>3</sup>Total does not add to 100% due to rounding.

### **Employment Rates**

The following table shows employment rates for residents of the City, State and U.S. in the calendar years below, except as otherwise indicated:

	<b>July</b>	<b>Average</b>	<b>Average</b>	<b>Average</b>	<b>Average</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Labor Force	166,747	163,001	161,200	159,704	160,868
Number Employed	156,450	153,139	148,789	146,133	146,972
% City Unemployed	6.20	6.10	7.70	8.50	8.60
% State Unemployed	5.20	5.0	6.10	6.70	7.00
% U.S. Unemployed	5.10	5.3	6.20	7.40	8.10

Source: Missouri Economic Research & Information Center.  
The above rates are not seasonally adjusted.

### **Major Taxpayers**

In Fiscal Year 2015, taxes totaled approximately \$256.2 million, consisting of earnings, payroll and property taxes that were collected and combined in the City's General Revenue Fund. No one company contributed more than 6.2% of the total taxes collected. The top twenty taxpayers contributed approximately \$125.0 million.

## Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for calendar years 2011 through 2015:

Calendar Year	Value of Housing		Value of Commercial	Total Value of Construction	Total Permits Issued
	New	Rehabilitation	Industrial or Other Non-Housing		
2011	\$ 22,045,139	\$45,962,461	\$246,645,873	\$314,653,473	3,635
2012	60,997,215	34,741,663	385,544,138	481,283,016	3,821
2013	27,713,830	71,796,301	298,565,250	398,075,381	3,999
2014	123,065,155	83,341,585	454,968,014	661,374,754	4,542
2015	146,490,956	69,678,982	479,533,852	695,703,790	5,021

Source: City Building Division.

The Cortex development drove the increase in value of non-housing construction in the Central West End of the City during calendar year 2014 and its effect continued through 2015. The region's first IKEA store, located in the Cortex area, opened in 2015. SSM Health St. Louis University Hospital in the Central West End and St. Louis Children's Hospital undertook projects totaling nearly \$210 million in the neighborhood, while a \$49 million mixed-use development at the corner of Lindell and Euclid Avenue add to the Central West End's recent building boom. The Midtown neighborhood benefited from the groundbreaking on a new \$59 million St. Louis University Residence Hall in 2015. See **"Development"** below.

## Sports Related Economic Development

The City is home to two major professional sports teams, the St. Louis Blues hockey team (the *"Blues"*) and the St. Louis Cardinals baseball team (the *"Cardinals"*). Prior to January 12, 2016, the City was also home to the Rams who have relocated to Inglewood, California (see below for more information). The teams contribute to the economy of the Metropolitan Area with ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The teams also generate positive national media attention for the City.

The Cardinals annually attract more than 3 million fans Downtown, with approximately a million coming from outside the State. Ninety percent of fans come from outside the City. The St. Louis Regional Chamber estimated that the economic impact of the 2015 Cardinals' regular season on the region was approximately \$343.9 million with an estimated \$179.7 million of direct impact and \$164.2 million of indirect economic activity. In addition, the St. Louis Regional Chamber estimates the combined economic impact of the Cardinals' two playoff games in 2015 to be an additional \$11.8 million. The Cardinals are one of the oldest franchises in Major League Baseball (*"MLB"*). The team has won more than 9,400 games, eleven World Series Championships, nineteen National League Pennants, three National League Eastern Division Titles and ten National League Central Division Titles. There are more than twenty former Cardinals players and managers enshrined in the National Baseball Hall of Fame and Museum in Cooperstown, New York.

In 2006, the Cardinals moved into a new \$411 million Busch Stadium in Downtown St. Louis, with the team covering nearly ninety percent of the cost of the project, including infrastructure. In March 2016, *Forbes Magazine* reported that the Cardinals are the seventh most valuable team in MLB, worth \$1.6 billion with revenues in the 2015 season of approximately \$300 million and operating income of approximately \$59.8 million.

In April 2014, the Ballpark Village Development Corporation completed phase one of a development project known as Ballpark Village. Ballpark Village is a mixed-use development project located immediately to the north of Busch Stadium. The \$100 million first phase of Ballpark Village includes 100,000 square feet of retail space (*"Ballpark Village Phase I"*). Ballpark Village Phase I includes a Cardinals Nation venue comprised of a Cardinals Hall of Fame and Museum, a two-story Cardinals Nation restaurant, and a roof-top deck that provides rooftop seating with views into Busch Stadium. Ballpark Village Phase I also includes two other main restaurants: a Budweiser Brew House and Drunken Fish sushi restaurant. The Budweiser Brew House features a beer garden and German-inspired cuisine and includes rooftop seating with views into Busch Stadium. Ballpark Village Phase I also includes a PBR St. Louis Cowboy bar and the Howl at the Moon dueling piano bar, as well as other restaurants and retail shops. The restaurants and shops are centered around a public event space known as the FOX Sports Midwest Live, which holds concerts and other live entertainment events. The Ballpark Village Development Corporation is a joint venture between the Cardinals and the Cordish Companies based in Baltimore, Maryland. The Cordish Companies have developed other venues similar to the Ballpark Village Project. The City has discussed future phases for Ballpark Village with the principles of the Ballpark Village Development Corporation and anticipates that there will be future phases of development at Ballpark Village. Phase II, at a cost of approximately \$240 million, is anticipated to begin in 2017.

Since 1994, the Blues have played at the Scottrade Center, with a seating capacity of 19,150. The Blues are one of the more successful National Hockey League teams in terms of attendance, with an average attendance of 18,450 in the 2015-2016 season. In the 2015-2016 season, the Blues finished second in their division and qualified for the Stanley Cup playoffs.

On January 4, 2016 the Rams ownership submitted a relocation application to the NFL to move the team to Inglewood, California. On January 12, 2016, the NFL owners voted to ratify the Rams' application for an immediate move to California. The City estimates the revenue impact to the City as a result of the Rams departure will be approximately \$4.2 million in Fiscal Year 2017. The economic impact, if any, the Rams relocation will have on the economy outside the City limits, including money spent at restaurants and hotels outside the City limits, cannot be quantified by the City.

The City is also a venue for regional sporting events. Hosting ten NCAA Championships in the past decade, the City has generated significant economic impact, brought regional and national exposure and provided a first-class experience for athletes, coaches, fans and media from around the country. The 2016 U.S. Men's Gymnastic Olympic Trials and the 2016 P&G Gymnastics Championships for women and junior men's gymnastics were held at St. Louis University's Chaifetz Arena which also hosted the 2012 national gymnastics championships. The Professional Golfers Association (*"PGA"*) held the 2013 Senior PGA Championship at Bellerive Country Club located in the County and announced that the venue would host the 2018 PGA Championship. In 2013, the USA Cross Country Championships took place in the region.

## **City Parks, Metropolitan Zoological Park and Museum District, and Great Rivers Greenway District**

The City Parks and Recreation Department (the “*Department*”) is responsible for the operation and maintenance of 108 public parks consisting of approximately 3,000 acres of park land as well as 175 landscaped medians, strips and triangles comprising some 250 additional acres. Its maintenance responsibilities consist of cutting and trimming all park acreage and maintaining the City’s athletic fields, comfort stations, park maintenance buildings, park pavilions and other areas owned or used by the City for recreational and other purposes. In addition, the Department’s Horticulture Section is responsible for the operation of eighteen greenhouses in which are propagated over 450,000 flowering and foliage plants annually. The Department’s Facility Services Section is responsible for the maintenance of all facilities within the City’s 108 parks. These include, but are not limited to, eight recreational centers, eight municipal swimming pools, 150 park buildings, and 75 playgrounds. In addition, the Section maintains water and sewer lines, removes graffiti, and services fountains and irrigation systems within the City’s parks and other landscaped areas.

The largest park in St. Louis, Forest Park, is located at the western edge of the City and includes 1,293 acres. It is the home to most of the region’s major cultural institutions—the Zoo, the Art Museum, the History Museum, the Science Center and the Municipal Theater Association of St. Louis. It also serves as a sports center for golf, tennis, baseball, bicycling, boating, fishing, handball, ice skating, roller blading, jogging, rugby and more. The City Parks Department estimates that Forest Park draws more than 12 million visitors per year. A public-private partnership, Forest Park Forever, has assumed significant responsibility for improving and maintaining Forest Park.

The Metropolitan Zoological Park and Museum District (the “*District*”) levies property taxes on behalf of five sub-districts in the City and the County: the Zoological Park, the Art Museum, the Science Center, the Botanical Garden and the Missouri History Museum sub-districts. The District was created by State statute on January 1, 1972 and is governed by a board consisting of eight members, each appointed for a four-year term. The Mayor of the City appoints four Board members and the County Executive appoints the balance. By statute, the District may retain five percent of the total tax revenue for administrative expenses. The District’s total tax revenue for the fiscal year ending December 31, 2015 was \$75.86 million, up from \$74.46 million the prior calendar year. This revenue, minus the administrative expenses, was made available to the sub-districts based on their respective tax levies.

On April 2, 2013, voters in the City and the County approved Proposition P: the Safe and Accessible Arch and Public Parks initiative (“*Proposition P*”). Known as CityArchRiver 2015, the approximately \$380 million project will reconnect the Mississippi River to Downtown St. Louis. The project will be funded with (i) approximately \$90 million in Proposition P bond proceeds; (ii) approximately \$69 million in public funds from federal, State and local sources such as a USDOT TIGER grant, MoDOT funds, and other federal grants and funding from the Great Rivers Greenway District; and (iii) approximately \$221 million in private funding has been raised by the CityArchRiver Foundation from gifts, grants and donations. The foundation raised another \$29 million to seed an endowment to maintain the improvements. The CityArchRiver 2015 project broke ground in August of 2013. Since that time, the raised central riverfront between Chouteau and Biddle streets has opened with a new bike lane and other amenities. The “Park over the Highway” and Luther Ely Smith Square were completed in November 2015 and hosted the “Blues at the Arch” concert series in August 2016. The park around the Arch, including the North Gateway near Laclede’s Landing, is scheduled to open in 2016. In addition, a museum is scheduled to be completed in 2017. Looking to the future, the CityArchRiver Foundation will transition to a conservancy to activate and maintain the park.

The Great Rivers Greenway District (“*GRG*”) was established in November 2000 by the successful passage of the Clean Water, Safe Parks and Community Trails Initiative (known as Proposition C) in the City, the County and St. Charles County, Missouri (“*St. Charles County*”). GRG is funded by a 1/10<sup>th</sup> of 1 cent sales tax imposed in the City, the County and St. Charles County. In addition, in 2013 the City and County voters approved Proposition P, a 3/16<sup>th</sup> of 1 cent sales tax imposed in the City and the

County. GRG receives 60% of such additional sales tax and the City and the County receive the remaining 40%. The goal of GRG is to spearhead the development of an interconnected system of greenways, parks and trails that will encircle the Metropolitan Area, enhancing the quality of life for residents and visitors. Eventually, the system is expected to encompass a 600-mile web of more than 45 greenways that will crisscross the region and provide access to other trail and greenway projects within Missouri and near counties in Illinois. GRG has issued \$84 million in bonds to fund part of the CityArchRiver 2015 project to make improvements to the Gateway Arch grounds.

## **Development**

SLDC, working together with the Comptroller's Office, the Mayor's Office, and the Board of Aldermen, administers the City's Tax Increment Financing ("TIF") program, the Downtown Economic Stimulus Authority, and real estate tax abatement incentive programs. The Planning and Urban Design Agency and the Land Clearance for Redevelopment Authority, together with the Board of Aldermen, develop plans for the revitalization of various areas of the City. SLDC has received from the U.S. Department of Treasury the following allocations of New Markets Tax Credits: \$52 million in 2005, \$45 million in 2008, \$65 million in 2009, \$21 million in 2011, \$30 million in 2013 and \$45 million in 2015.

More than \$4.5 billion in development has been completed in Downtown since 1999. Lodging Hospitality Management completed a \$60 million upgrade of the Union Station Hotel by Doubletree and is currently planning a \$70 million Phase 2 entertainment area, including a Ferris wheel and an aquarium, to be located in the southern portion of Union Station. The five building City View Apartments redevelopment is now complete - Building #50 has been completed and includes 149 units of affordable senior housing developed at a cost of \$21.6 million - Buildings #10, #20, #30 and #40 have been rehabilitated at a cost of \$30.1 million with approximately 780 market rate units. Construction on a 400 space parking garage to serve the complex has been completed. The MX retail development has launched with the opening of a state-of-the-art movie theatre and multiple eating and retail operations, and the completion of construction of the National Blues Museum. The Cupples 9 office building has opened, housing Osborne Barr Marketing Co., which relocated some years ago from the County to Downtown. The Peabody Opera House and the Central Library, both Downtown attractions, opened in 2013 after extensive renovations. Other expanding Downtown operations include the marketing firm Group 360, U.S. Bancorp, KPMG, Community Development Corporation, the Cool Fire Group, Spire (formerly Laclede Gas) and Brown & James. Other significant new projects Downtown include the completion of the \$32 million St. Louis University School of Law (including a 200 seat mock courtroom) in August 2013, which has brought 800-1,000 students and staff into Downtown, the renovation of the Mayfair Hotel in July 2014 into the 182 room boutique Magnolia Hotel at the cost of \$19 million and the completion of the 132 unit, 25 story Tower at Old Post Office Square in July 2014 at the cost of \$22 million. The \$118 million Arcade Building with approximately 300 housing units and the expanded Webster University Campus and Lindenwood University Campus were completed in January 2016. Renovation of the Monogram building on Washington Avenue is expected to begin in 2016. The \$57.3 million project will include 168 market-rate residential apartments and a pre-school.

Other Downtown construction projects include the completed \$20 million reinvention of the 500 North Broadway office building in 2013; the completion of Phase II of the \$144 million 210 North Tucker IT building; the completed \$14.7 million conversion of the 1900 Pine building (now known as Station Plaza) to 72 affordable loft style apartment homes; the completion of the \$5 million rehabilitation of the 2200 Locust mixed-use building (now known as the Lacassian Lofts) with 7,000 square feet of commercial space and 27 residential units; and the completion of the \$46 million renovation of the GenAm Building at 706 Market Street to accommodate the Spire headquarters.

Downtown also has a number of companies which are recommitting to Downtown, making new investments and adding new full-time jobs. These projects include Stifel, Nicolaus & Company, Incorporated, which has invested \$34 million in its building and added some 225 new jobs to its national headquarters Downtown; and Gateway EDI which has signed a lease extension and expansion in anticipation of adding up to 300 new jobs. In addition, Downtown has become a location for new

business start-ups. The T-REx (Regional Entrepreneurial Exchange) (“*T-Rex*”) at the Lammert Building is now home to approximately 60 start-up information technology related ventures. T-REx has also attracted two business acceleration programs, the Capital Innovators and the Arch Grants, which provide seed capital along with intensive professional service resources to launch companies. Together, these two accelerator programs anticipate providing assistance to 40 start-up operations per year at the Downtown location.

Downtown infrastructure projects completed or in planning include the \$380 million CityArchRiver 2015 project, an effort that includes upgrades to the Leonor K. Sullivan Boulevard, Memorial Drive, I-70, the Museum of Westward Expansion and \$90 million in improvements to the museum's landscaping and infrastructure; \$1.3 million enhancements to the Laclede's Landing streets and sidewalks; and \$1.97 million third phase streetscape improvements along Washington Avenue Downtown.

Beyond Downtown, a resurgence of manufacturing continues, with new investment and job creation. Proctor and Gamble has completed a \$150 million expansion. Henkel Consumer Projects (Dial) has invested \$50 million in expanding production. Elantas PDG, Inc., a coating manufacturing firm, is completing a \$30 million upgrade. Additional projects include MFR Tire (\$4.8 million), Volpi Foods (\$8.8 million), Faultless Linen (\$12 million), M & L Foods (\$6.4 million), ADM (\$9.1 million), Lehner Tool, Grossman Iron and Metal, and MDS Manufacturing. Also, progress is being made on the development of the bioscience industry in the City, with the presence of two nationally recognized university research hospitals along with Sigma Chemical, Monsanto Solae and other plant and life science anchors. The City is seeking to position itself as a hub for research and innovation. Based on a life science incubator, the Center for Emerging Technologies, the BioGenerator, a life science business accelerator and new capital opportunities, the City is striving to capture the commercialization of local plant and life science research.

On June 2, 2016, the National Geospatial-Intelligence Agency (“NGA”) formally announced the City was chosen as the site for the construction and operations of the Next NGA West Campus (N2W). The new site will be located at the corner of north Jefferson Avenue and Cass Avenue and will replace the current facilities located at South 2<sup>nd</sup> Street in the City. Following a comprehensive review by NGA, the City site was determined to be the best choice considering mission needs, security, cost, environmental analysis, as well as several other factors. The NGA and its forerunner agencies have operated in the City since 1952. The new N2W facility is anticipated to include 800,000 square feet of office space, a visitor control center, central utility plant, structured parking, and a remote inspection facility that will accommodate approximately 3,150 government and contractor personnel. Construction of the \$1.75 billion project is anticipated to begin in 2017 and is expected to be completed in 2022 or 2023.

Other growing businesses include the biotech device company, Chemline, ChemLab Manufacturing, Material Logistics, Dyna Labs, Mid America Display, the expansion of Southside Day Nursery in a new building at Jefferson and Russell, and the expansion at Wells Fargo Investment Services which added 400 new jobs.

In early 2013, the City approved a tax increment financing plan entitled the St. Louis Innovation District Tax Increment Financing (TIF) Redevelopment Plan (the “*Cortex TIF*”) (formerly known as CORTEX TIF). The Cortex TIF is located in the western portion of the City immediately to the east of Forest Park in an area known as the Central West End. The Cortex TIF redevelopment area includes over 178 acres composed of eleven separate redevelopment project areas. The Cortex TIF proposes a total investment of approximately \$2.1 billion over twelve years with approximately \$167 million of public incentives. As of January 2016, the City has activated five of the redevelopment project areas, or “RPAs”. The redevelopment projects within those five RPAs include a 218,000 square foot office building for BJC Healthcare (approximately \$45 million investment), renovation of a 183,000 square foot building for Wexford Science & Technology (approximately \$73 million investment) now known as the @ 4240 Building, and a 90,000 square foot building for the Shriners Hospital. Construction has been completed on the 380,000 square foot IKEA retail home furnishings store along the northern side of I-64 and



Vandeventer Avenue and a \$12 million linear park known as Cortex Commons (the “*Commons*”). The new 4260 Building is under way on Forest Park Boulevard adjacent to the Commons and will include space for the TechShop. In addition to providing workspace, TechShop’s community based open access workshop provides members the use of state-of-the-art manufacturing tools, equipment and software. In 2016, the \$175 million phase of Cortex is anticipated to begin construction. It is expected to include office space, a hotel, a parking garage and approximately 200 residential units. In addition, The Foundry, an approximately \$200 million mixed-use project east of the Cortex area is scheduled to begin in 2016.

Other City development projects along the central corridor include the following completed or soon to be completed projects: the \$75 million 100 North Euclid Orion building with 177 residential units and a 38,000 square foot Whole Foods market in the CWE; the \$13 million Mercedes of St. Louis dealership on Hampton near Oakland; the renovation of 3852 Laclede Avenue for the \$11.6 million 50 unit Laclede Lofts project; the new 82 unit, \$10 million apartment building constructed at 245 North Union; the \$26.7 million 206 unit Hallmark Apartments at West Pine Boulevard and Sarah Avenue; the construction of the KWMU Public Radio station by the University of Missouri-St. Louis at the cost of \$12 million; the renovation at the cost of \$25 million of the Metropolitan Building for artist lofts; and the renovation of the 28,000 square foot Sun Theater at 3619 Grandel Square for use by the Grand Center Arts Academy Charter School. Also under construction are the \$65 million, 12-story, Lindell Residences at Euclid Avenue with 10,000 square feet of retail space and development of approximately 700 units of campus student housing at St. Louis University. The renovation of the vacant Missouri Theater Building is expected to begin in 2016. Phase one of the approximately \$53 million project will include a hotel and office space.

The completion and opening of the new \$600 million Stan Musial Veterans Memorial Bridge just north of Downtown carrying I-70 across the Mississippi River and the related \$34 million Tucker Avenue project has spurred other North Riverfront projects in the City including: the renovation of 1600 North Broadway as the new and expanded \$12 million 226,000 square foot headquarters for Bissinger’s Chocolates; the new \$13.2 million Love’s Travel Center; the \$5 million expansion of the Performance Foodservice Middendorf facility at 3930 North 9th Street; the new \$17 million Clarence Broadway industrial project; the \$50 million expansion by Henkel Consumer Projects (Dial); and the \$150 million expansion of Procter & Gamble.

Near southside development projects include the \$8.5 million Jefferson Commons; the \$15 million 37,000 square foot Field Foods and the A.T. Still Dental University in the City Hospital redevelopment area, as well as a number of new single-family houses being built in the Lafayette Square neighborhood. In 2016, Tim Horton’s began construction of a new store in the City Hospital redevelopment area.

Numerous projects in the Forest Park Southeast neighborhood are planned, underway or have been completed, including the second phase of the 140 unit, \$24 million Aventura Apartments at Chouteau and South Taylor; the \$4 million Urban Chestnut Brewery on Manchester; the \$60 million mixed-use Chouteau’s Grove project located at Manchester and Sarah; several small commercial projects along Manchester; and residential rehabilitations throughout the neighborhood. In addition to the numerous residential rehabilitations and some new construction projects in the Forest Park Southeast neighborhood, similar developments are occurring in the Botanical Heights, Shaw, Tower Grove South and Tower Grove South neighborhoods.

Continued focus on improving commercial districts throughout the City is making City living and neighborhoods more desirable. The City continues to focus on the manufacturing sector and, in essence, a public/private partnership with these operations to attract investment and growth, along with cultivating those areas where the region has strength, such as life science, information technology and financial services.

## FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

### Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of real and personal property taxes. The following section presents information regarding the City's finances, including the City's accounting and budgeting practices.

### Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds as summarized below.

**Governmental Type Funds**—Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than on net income. The City's governmental-type funds include the following:

*General Revenue Fund*—The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

*Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest and related costs for general obligation long-term debt.

*Capital Project Fund*—The Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

**Proprietary Funds**—The Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City's proprietary fund types include the following:

*Enterprise Funds*—The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Internal Service Funds*—The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

**Fiduciary Funds**—The Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. A description of the City's fiduciary fund follows:

*Agency Funds*—Agency Funds are used to account for assets held as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City

as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

## **Budget Process**

The Board of Estimate and Apportionment proposes annual operating and capital budgets to the Board of Aldermen for the ensuing Fiscal Year based on information provided by the various City departments, including the Budget Division, as well as commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Aldermen.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1. The budget board bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget, nor insert new items. Under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption "**GENERAL REVENUE RECEIPTS—The Hancock Amendment**" herein.

Should the Board of Estimate and Apportionment fail to submit its proposed budget or tax rate to the Board of Aldermen on a timely basis, the Budget Director is required to submit directly to the Board of Aldermen a proposed budget and data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment or in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund and no appropriation may be made for any purpose to which the money may not lawfully be spent. The Board of Estimate and Apportionment may from time to time recommend to the Board of Aldermen the appropriation of any accruing non-appropriated City revenue. Whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money not appropriated by special ordinance for a specific purpose reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made. One half of the operating surplus of the General Revenue Fund is remitted to the Capital Project Fund at the end of each Fiscal Year.

## **Financing Controls**

The City has implemented significant measures to upgrade its financial reporting systems in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. The City's Comprehensive Annual Financial Report for Fiscal Year 2015 was awarded the

Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (“GFOA”). It was the twenty-eighth consecutive year the City has received the prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit that published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the City’s Budget Division for its annual budget for Fiscal Year 2015. The award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide and a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the “AIM System”). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides (1) integrated general and subsidiary accounting of all funds; (2) appropriation/encumbrance accounting and controls; and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City’s accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) safeguarding assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. Through annual appropriations the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by a control section through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller controls all of the above using the AIM System.

It is the responsibility of the Comptroller, as set forth in the City Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the City Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping the City’s assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City’s property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

## **Cash Management**

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the “General Pooled Cash” and invested by the City Treasurer. The City Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. Consistent with State law, all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer or in time deposits collateralized by those securities.

## **General Revenue Fund**

In accordance with generally accepted accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund from

which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses of most departments and agencies of City government.

The Fiscal Year 2017 Annual Operating Plan continues the ongoing effort to allocate the City's resources to maximize the effectiveness of programs and services for maintaining the quality of life of its residents, visitors and businesses. The preliminary year end cash basis results for Fiscal Year 2016 have revenues tracking fairly close to original budget estimates. Earnings Tax and Property Tax receipts had outpaced original budget estimates while the Payroll Tax had underperformed. Sales taxes were down slightly in Fiscal Year 2016 but still outperformed estimates following particularly strong growth in the prior Fiscal Year. While Departmental Receipts which include most service fees came in at budget, a decline in franchise tax revenue which includes taxes on utilities and in particular telecommunications taxes fell short of budgeted amounts. Overall revenues results were less than original estimates by approximately \$1.2 million. With preliminary year end expenditures coming in under budget by \$3.4 million, year-end operating results indicate an operating surplus of \$2.1 million on a preliminary cash basis. Historical trends suggest long term revenue growth in the 1.5% range each year. The ability to meet the rising costs of services and growing infrastructure needs with the limited revenue growth remains a perennial challenge. The City has pursued efforts to reduce operating expenditures and staffing where possible without impacting key City services. Specifically, there have been successful efforts in reforming the City's pension systems and an effort to incorporate many of the administrative and support functions of the Police Department into related departments of the City government.

General Revenue Fund revenues for Fiscal Year 2017 are forecast at \$511.1 million, an increase of 4.0% over the preliminary year end revenues of \$491.4 for Fiscal Year 2016. This revenue estimate however, includes a cyclical draw from the 27<sup>th</sup> pay reserve (an event which occurs every eleven years) and after adjusting for this revenue, base revenue is projected to increase 1.9%. Major revenues, such as the Earnings Tax, are projected to maintain underlying growth of approximately 3.0%. Sales tax receipts are projected to increase approximately 1.4% in Fiscal Year 2017. Other revenues, such as property tax receipts, are projected to increase 1.2% and Franchise Taxes and Departmental Receipts, collectively, are projected to increase 3.0%.

The Fiscal Year 2017 General Revenue Fund budgeted expenditures are \$511.1 million, an increase of 3.8% from the budget for Fiscal Year 2016. However, as noted above, following its biweekly pay calendar, the City will experience a 27<sup>th</sup> pay period in Fiscal Year 2017. After adjusting for this event, the base growth is 1.6%. Approximately 75% of the budget is related to salary and benefit costs of employees. Police and Public Safety represent about 56% of the total General Revenue Fund budget. With \$163.5 million in operating and pension costs, the Police Department represents approximately 32% of the General Revenue Fund budget and is the largest component of the Public Safety function. The remaining public safety allocation from the General Revenue Fund provides for fire protection, pre-trial inmate housing, emergency medical services and various permitting, inspection and neighborhood stabilization activities. The General Revenue Fund budget also funds the majority of parks and recreation operations at \$21.3 million, streets, traffic and refuse collection at \$35.5 million, and general government and finance operations at \$33.3 million. Because the City functions as both a city and a county, the General Revenue Fund also includes appropriations for the 22<sup>nd</sup> judicial circuit of Missouri and a number of county office functions for \$57.6 million. Debt service payments for large projects funded through lease arrangements are included in the General Revenue Fund allocation in the amount of \$33.2 million. Lease Debt payments in Fiscal Year 2017 include the annual lease payments on the Scottrade Center, the Convention Center/Dome and the City Justice Center and Carnahan Courthouse complexes, as well as the first year payment of \$1.5 million related to the National Geospatial Agency development. The remainder of the General Revenue Fund budget can be categorized as paying for public engineering services, maintenance and operation of public buildings and fleet services.

## General Revenue Fund Expenditures

Table I below is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for Fiscal Years 2011 through 2015.

<b>TABLE I</b>										
<b>City of St. Louis, Missouri</b>										
<b>General Revenue Fund</b>										
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>										
<b>Accrual Basis - Year ended June 30</b>										
<b>(dollars in thousands)</b>										
		<b>2015</b>	<b>2014</b>		<b>2013</b>		<b>2012</b>		<b>2011</b>	
<b>REVENUES</b>										
Taxes	\$	363,392	\$ 365,469	\$	344,561	\$	339,818	\$	335,915	
Licenses and permits		19,938	19,279		18,358		16,769		16,770	
Intergovernmental		25,130	21,948		21,203		21,988		24,592	
Charges for services, net		28,880	32,067		35,760		29,632		28,766	
Court fines and forfeitures		4,916	10,810		11,022		12,103		10,848	
Investment income		209	241		192		138		353	
Interfund services provided		858	3,464		5,531		4,293		4,631	
Miscellaneous		7,997	8,587		4,799		5,472		4,736	
Total revenues		<u>451,320</u>	<u>461,865</u>		<u>441,426</u>		<u>430,213</u>		<u>426,611</u>	
<b>EXPENDITURES</b>										
Current:										
General government		47,417	65,926	<sup>1</sup>	45,896	<sup>1</sup>	41,845		41,951	
Convention and tourism		126	119		112		123		142	
Parks and recreation		18,554	18,777		19,050		18,059		17,111	
Judicial		44,799	46,367		47,137		45,916		45,512	
Streets		37,480	33,524		32,714		33,185		31,848	
Public Safety		266,734	272,172		259,909		260,143		252,458	
Health and welfare		3,355	3,229		10,939		3,005		2,861	
Public services		32,054	33,236		22,116		24,942		24,929	
Debt service		34,336	32,377		34,828		32,925		42,839	
Total expenditures		<u>484,855</u>	<u>505,727</u>		<u>472,701</u>		<u>460,143</u>		<u>459,651</u>	
Deficiency of revenues over expenditures		<u>(33,535)</u>	<u>(43,862)</u>		<u>(31,275)</u>		<u>(29,930)</u>		<u>(33,040)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>										
Issuance of leasehold revenue (reefunding) bonds		21,905	—		—		49,825		3,140	
Issuance of certificates of participation		5,195	—		—		—		—	
Bond premium on debt issuances		—	—		—		4,038		145	
Premium on bond issuances		3,097	—		—		—		—	
Payment to refunded escrow agent		(29,497)	—		—		(53,172)		(2,416)	
Advance refunding on TIF bonds and notes payable		—	—		—		—		—	
Firemen's Retirement EAN note proceeds		—	—		—		5,278		—	
Transfers in		38,954	38,346		40,058		40,573		35,856	
Transfers out		(13,191)	(16,680)	<sup>2</sup>	(9,995)		(10,090)		(8,314)	
Total other financing sources (uses), net		<u>26,463</u>	<u>21,666</u>		<u>30,063</u>		<u>36,452</u>		<u>28,411</u>	
Net change in fund balances		<u>(7,072)</u>	<u>(22,196)</u>		<u>(1,212)</u>		<u>6,522</u>		<u>(4,629)</u>	
Fund balances:										
Beginning of year		35,725	57,921	<sup>3</sup>	55,870		49,348		53,977	
End of year	\$	<u>28,653</u>	<u>35,725</u>	\$	<u>54,658</u>	\$	<u>55,870</u>	\$	<u>49,348</u>	
<b>Footnotes:</b>										
<sup>1</sup>	Liabilities associated with worker's compensation claims of the Police Department due to local control are now realized in the self insurance internal service fund. This resulted in a one time advance posted to general government expenditures as a funding source for the liability in the amount of \$19.1 million.									
<sup>2</sup>	In Fiscal Year 2014, a larger portion of General Fund sources was committed to pay the debt expense realized in the capital fund.									
<sup>3</sup>	Includes cumulative effect of change in accounting principles.									

Table II shows a General Revenue Fund summary of operations on a budgetary (cash) basis for Fiscal Years 2012 through 2016.

[illegible]

## Pension Reform

After years of steady increases with costs reaching as high as \$99.8 million in Fiscal Year 2014, the cost of the City's pension systems, including contributions to the systems and the cost of servicing the pension debt, dropped to \$86.2 million in Fiscal Year 2015 and \$79.6 million in Fiscal Year 2016. These declines can be attributed primarily large part to recent reforms to the Firefighters' pension system as well as improved market performance over the past few years. The Fiscal Year 2017 budget has an increase in costs of \$2.9 million due primarily to a change in plan assumptions from a recent experience study of The Firemen's Retirement System of St. Louis plan. For more information, see "RETIREMENT SYSTEMS" herein.

## GENERAL REVENUE RECEIPTS

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for Fiscal Years 2014 through 2016:

### General Revenue Fund Receipts by Category

	Fiscal Year		
	2016	2015	2014
<b>TAXES:</b>			
Earnings	33.82%	32.86%	32.42%
Franchise	10.20	10.65	11.12
Sales	10.96	11.08	10.41
Gross Receipts	1.52	1.57	1.64
Motor Vehicle Sales Tax	0.66	0.63	0.60
Real Estate	9.26	9.15	9.32
Personal Property	2.41	2.41	2.31
Payroll	7.65	7.76	7.46
Other Taxes	<u>0.33</u>	<u>0.31</u>	<u>0.40</u>
Total Taxes	<u>76.81</u>	<u>76.42</u>	<u>75.68</u>
License Fees	3.96	4.02	3.99
Departmental Receipts	11.38	11.94	12.67
Transfers	<u>7.85</u>	<u>7.63</u>	<u>7.66</u>
	<u>100.00%</u>	<u>100.01%<sup>1</sup></u>	<u>100.00%</u>

Source: City Comptroller's Office.

<sup>1</sup> Total does not add to 100% due to rounding.

## Earnings Tax

The Earnings Tax was authorized by State statute in 1954 and is imposed on gross income of residents of the City, non-residents working in the City and net profits of businesses within the City. The current rate of 1% has been in effect since 1959. Earnings Taxes are withheld by employers and are generally paid to the City on a quarterly basis. Employers withholding more than \$1,500 per month remit their taxes monthly. City residents employed outside the City and having no Earnings Tax withheld are required to file a City tax return and pay the Earnings Tax annually. The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 34% of the total for Fiscal Year 2016.



In November of 2010 a citizens group collected sufficient signatures for a state-wide ballot initiative to require voter approval of the Earnings Tax every five years, with the phasing out of the tax over 10 years should it ever fail to win voter approval. The citizens of St. Louis vote every five years on whether to retain the Earnings Tax for an additional five year period. On April 5, 2016, St. Louis citizens voted to retain the Earnings Tax for an additional five-year period by a margin of 72% to 28%.

The City's General Revenue Fund Earnings Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Earnings Tax</b>
2012	\$151,005,918
2013	150,989,576
2014	154,536,949
2015	160,719,695
2016	166,156,075

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Source: City Comptroller's Office.

## **Payroll Taxes**

Voters approved a Payroll Tax in 1988. The Payroll Tax is ½ percent of total compensation paid by a business to its employees for work in the City. The City Code exempts certain organizations and institutions from payment of the Payroll Tax, including religious, charitable organizations and institutions, not-for-profit civic, social service or fraternal organizations, not-for-profit hospitals, and not-for-profit educational institutions. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter.

The City's General Revenue Fund Payroll Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Payroll Taxes</b>
2012	\$34,429,039
2013	35,868,469
2014	35,553,296
2015	37,983,321
2016	37,573,673

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Source: City Comptroller's Office.

## **Franchise Tax**

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. The tax is passed on to the consumers by the utilities. The tax on natural gas and electricity sales is 10% of commercial gross receipts and 4% of residential gross receipts. Telecommunication companies are taxed at 7.5% of the gross receipts with the first \$13.5 million of revenue set aside in a special revenue fund to be used for employee retirement debt. Cable franchises are taxed at 5% on the gross revenues. Cable franchise tax revenues are not included in General Revenue Fund, but are included in the Communications Fund for the operation and expenses of the Communications Division of the Department of Public Utilities. Trigen Energy Corp. and the City Water Division sales are taxed at 10% of gross receipts from all users, and Airport gross receipts are taxed at 5%. All of the aforementioned receipts accrue to the General Revenue Fund. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's General Revenue Fund Franchise Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Franchise Tax</b>
2012	\$50,126,199
2013	53,390,046
2014	53,016,914
2015	52,076,506
2016	50,197,749

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Source: City Comptroller's Office.

### **Sales and Use Tax**

City sales taxes are authorized by the Missouri General Assembly and approved by voters. The current sales tax rate is 8.679%, which includes the State tax rate of 4.225%. The General Revenue Fund portion of the tax rate is 1.375%. The remaining portions of the tax rate are earmarked for transportation, capital improvement, public safety, parks and the Transitional School District.

In addition, the City imposes a use tax on all out-of-state purchases by in-state residents that are greater than \$2,000. Use tax is earmarked to provide funds for the development and the preservation of affordable and accessible housing, public health care services and building demolition. The current use tax rate is 8.013%. The use tax revenues are revenues that are not deposited into or a part of the General Revenue Fund.

On November 8, 2016, the voters of the State will vote on an amendment to the Missouri Constitution to prohibit State and local governments from imposing any new sales or use tax on any transaction or service that was not subject to a sales or use tax as of January 1, 2015. If passed, the measure will not directly increase or decrease any City taxes. If passed, the impact of the amendment, if any, on State and local governments, such as the City, are unknown at this time.

The City's General Revenue Fund sales tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Sales Tax</b>
2012	\$50,366,029
2013	47,920,321
2014	49,606,305
2015	54,196,917
2016	53,838,508

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Source: City Comptroller's Office.

### **Gross Receipts Tax**

The City's Gross Receipts Tax revenues are derived from three sources: (1) public garage and parking lots gross receipts; (2) amusement admission gross receipts; and (3) restaurant gross receipts. The City's Gross Receipts Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Gross Receipts Tax</b>
2012	\$7,074,721
2013	7,064,567
2014	7,810,667
2015	7,668,150
2016	7,489,986

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Source: City Comptroller's Office.

Beginning with Fiscal Year 2007, the City waived the 5% amusement admission tax on Cardinals' ticket sales as an incentive to promote economic development by tying economic development to tax relief pursuant to Ordinance No. 65669.

Beginning with Fiscal Year 2011, amusement admission taxes from events held at the Scottrade Center are pledged to finance improvements to the Peabody Opera House (formerly, the Kiel Opera House).

### **Motor Vehicle Sales Tax**

The City's Motor Vehicle Sales Tax is collected by the State together with the State sales tax and remitted to the City monthly. The distribution is based on the residence of the purchaser and not the point of purchase.

The City's General Revenue Fund Motor Vehicle Sales Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Motor Vehicle Sales Tax</b>
2012	\$2,789,955
2013	2,734,713
2014	2,838,298
2015	3,076,608
2016	3,243,191

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Source: City Comptroller's Office.

### **Real and Personal Property Taxes**

Taxes are levied on all real and personal property within the City owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. The assessed value and estimated actual value for real and personal property in the City for calendar years 2011-2015 are set forth below:

Assessed Year	Real Property <sup>1</sup>		Personal Property		Manufacturers' Inventory <sup>2</sup>	Total Assessed Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	
2011	\$3,420,452,617	\$14,728,500,868	\$728,178,864	\$2,186,723,315	\$261,517,759	\$4,410,149,240
2012	3,403,588,629	14,702,310,700	759,781,857	2,281,627,198	253,543,766	4,416,914,252
2013	3,223,496,948	13,756,556,711	753,790,304	2,263,634,547	255,594,948	4,232,882,200
2014	3,236,703,509	13,833,773,410	810,313,469	2,433,373,781	255,068,130	4,302,085,108
2015	3,294,638,871	14,118,593,655	835,238,014	2,508,222,264	243,122,173	4,372,999,058

<sup>1</sup>Source: Missouri State Tax Commission Annual Report

<sup>2</sup>Source: City License Collector's Office.

The estimated "Market Value" of real property in the City for calendar years 2011-2015 is set forth below:

Calendar Year	Residential	Commercial	Total Real Property
2011	\$ 9,943,597,389	\$ 4,784,903,478	\$14,728,500,867
2012	10,008,852,268	4,693,458,431	14,702,310,699
2013	9,066,163,074	4,690,393,638	13,756,556,712
2014	9,154,646,016	4,679,127,394	13,833,773,410
2015	9,410,085,374	4,708,508,281	14,118,593,655

Source: City Assessor's Office.

The property tax collection rates based on the Collector of Revenue's fiscal years (ending the last day of February) for 2011-2015 are set forth below:

Collector of Revenue's Fiscal Year	Real Estate Tax	Personal Property Tax
2011	88.15%	89.27%
2012	90.15	89.63
2013	91.63	88.64
2014	93.00	88.52
2015	93.20	87.11

Source: Collector of Revenue.

Taxes appealed and paid under protest are placed in escrow and disputed amounts distributed to the City when the appeal is resolved, after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated. The City's General Revenue Fund Real and Personal Property Tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>
2012	41,730,921	\$ 9,526,649
2013	44,102,356	10,427,406
2014	44,434,626	10,996,703
2015	44,747,179	11,785,716
2016	45,484,987	11,821,802

Source: City Comptroller's Office.

Property tax rates per \$100 assessed annual valuation for calendar years 2012-2015 are set forth below:

		<b>Calendar Year</b>			
		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
City of St. Louis:					
	Municipal purposes	0.9928	0.9833	0.9772	0.9071
	County purposes	0.3500	0.3500	0.3500	0.3270
	Hospital purposes	0.1000	0.1000	0.1000	0.0933
	Public health purposes	0.0200	0.0200	0.0200	0.0187
	Recreation purposes	0.0200	0.0200	0.0200	0.0187
	Interest and public debt	0.1330	0.1330	0.1420	0.1200
Total City of St. Louis		1.6158	1.6063	1.6092	1.4848
Overlapping governments:					
	State Blind Pension Fund	0.0300	0.0300	0.0300	0.0300
	Board of Education of the City of St. Louis	4.3711	4.3711	4.3711	4.4071
	St. Louis Community College	0.2176	0.2200	0.2200	0.2200
	Metropolitan St. Louis Sewer District	0.0876	0.0879	0.0874	0.0821
	Sheltered Workshop District	0.1500	0.1500	0.1500	0.1460
	St. Louis Public Library	0.5600	0.5600	0.5600	0.5814
	Community Mental Health	0.0900	0.0900	0.0900	0.0876
	Community Children's Service Fund	0.1900	0.1900	0.1900	0.1900
	Metropolitan Zoological Park and Museum District:				
	Zoological Sub-district	0.0793	0.0800	0.0800	0.0769
	Art Museum Sub-district	0.0793	0.0800	0.0800	0.0769
	Museum of Science and Natural History Sub-district	0.0397	0.0399	0.0399	0.0382
	Botanical Garden Sub-district	0.0397	0.0399	0.0399	0.0382
	Missouri History Museum Sub-district	0.0397	0.0399	0.0399	0.0382
Total overlapping governmental		5.9740	5.9787	5.9782	6.0126
Total City of St. Louis and overlapping governmental		\$7.5898	\$7.5850	\$7.5874	\$7.4974

Source: City Assessor's Office.

In addition to the property tax rates shown above, commercial property is subject to the Merchants and Manufacturer's Inventory Replacement Tax of \$1.64 per \$100 assessed annual valuation.

Proceeds of the Merchant and Manufacturer's Inventory Replacement Tax are remitted to the respective taxing districts in the same proportion as the taxing districts receive other property taxes.

### **Other Taxes**

Other taxes collected by the City include the intangible tax, land tax suits, manufacturer's tax, miscellaneous State receipts, commercial property surcharge and the county stock insurance tax. The City's General Revenue Fund other tax revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Other Taxes</b>
2012	\$1,735,884
2013	1,548,481
2014	1,526,215
2015	1,527,632
2016	1,709,964

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Source: City Comptroller's Office.

### **License Fees**

License Fees are collected by the City for use, sale or conducting business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business licenses and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of license fees is administered by the License Collector's Office. The City's General Revenue Fund license fee revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>License Fees</b>
2012	\$16,786,837
2013	17,900,828
2014	19,035,290
2015	19,662,379
2016	19,467,598

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Source: City Comptroller's Office.

The City License Collector is currently holding approximately \$125,367 in business license fees paid under protest pending the completion of an appeals process prescribed by State law.

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## Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks, Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, the Recorder of Deeds, the Circuit Court, the Juvenile Detention Center, the Sheriff, the Medical Examiner, the Probate Court and the City Courts. Also included in Departmental Receipts are Intergovernmental Aid, Interest Earned and Miscellaneous Receipts. The City's General Revenue Fund Departmental Receipts revenues for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Departmental Receipts</b>
2012	\$58,690,300
2013	63,722,691
2014	60,417,653
2015	58,400,330
2016	55,882,737

Source: City Comptroller's Office.

## Operating Transfers

A major source of funds transferred to the General Revenue Fund is from other Special Revenue Funds. Other Special Revenue Funds consist of the Tourism Fund and pledged accounts released on lease purchase agreements. Remaining transfers to the General Revenue Fund are from funds which by law must first be deposited in a fund other than the General Revenue Fund. After a determination by the Comptroller that such deposits are a surplus, these revenues are transferred to the General Revenue Fund in compliance with the City's operating procedures.

The City's Operating Transfers for Fiscal Years 2012 through 2016, on a cash basis, are set forth below:

<b>Fiscal Year</b>	<b>Operating Transfers<sup>1</sup></b>
2012	\$33,409,382
2013	35,708,194
2014	36,510,334
2015	37,327,476
2016	38,569,335

<sup>1</sup>Figures do not include transfers related to certain employment reserves.  
Source: City Comptroller's Office.

## The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by voters on November 4, 1980. The amendment (popularly known as the "*Hancock Amendment*") limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and provides that the limit may not be exceeded without voter approval. Provisions are included in the Hancock Amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “tax, license or fee.” The precise meaning and application of the phrase “tax, license or fee” is unclear, but in recent decisions, the Missouri Supreme Court has opined that it does not apply to traditionally set fees for specific services. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many, but not all taxes, licenses and certain fees without obtaining voter approval.

## INSURANCE

The City uses a combination of third-party insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by third-party insurance are handled by the City Counselor’s Office. The City’s attorneys attempt to settle or defend all claims. Each year an appropriation is made to a judgment account, which is segregated and reserved for a nonprofit corporation, Public Facilities Protection Corporation (“PFPC”), from which all judgments or settlements are paid. Expenditures for judgments and settlements during Fiscal Years 2012 through 2016 are set forth below:

Fiscal Year	Expenditures
2012	\$1,745,778
2013	2,287,537
2014	2,053,860
2015	1,853,764
2016	1,846,271

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Source: City Counselor’s Office.

PFPC is the administrator for all workers’ compensation responsibilities. A third-party administrator is used to process all claims and make recommendations regarding workers’ compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers’ compensation claims. It also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

## DEBT OF THE CITY

### General

The City is authorized to issue general obligation bonds payable from unlimited *ad valorem* taxes upon a two-thirds majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution that reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds to four-sevenths at elections on the general municipal election days or the state primary or general election days. Since the City Charter currently requires a two-thirds vote for the issuance of bonds of the City, voter approval of a City Charter amendment would be needed to reduce the majority requirements as authorized by the State constitutional amendment. A proposed City Charter amendment was submitted to City voters in August and November 1988, but at each election the proposal received more than a majority of the votes cast, but less than the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.



The City also is authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

### **Short-Term Borrowing**

The City first issued Tax and Revenue Anticipation Notes (“*TRANS*”) during Fiscal Year 1984 and TRANS have been issued annually since 1984 to bridge timing gaps in revenue collections. The following table sets forth certain information concerning the issuance of TRANS from Fiscal Years 2013 through 2017:

<b>Fiscal Year</b>	<b>TRANS Issued During Fiscal Year</b>	<b>As a Percent of General Revenue Fund Revenues<sup>1</sup></b>
2013	\$65,000,000	13.79%
2014	65,000,000	13.64
2015	65,000,000	13.29
2016	60,000,000	12.12
2017	60,000,000	12.00 <sup>2</sup>

<sup>1</sup> The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

<sup>2</sup> The percentage is based on Fiscal Year 2017 revenue estimates.

Source: City Comptroller’s Office.

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## Outstanding Debt

The following table sets forth the outstanding principal amount of all bonds and other long-term debt, other than TIF and MODESA obligations, issued by the City that are outstanding as of June 30, 2016:

<b>Description</b>	<b>As of June 30, 2016</b>	<b>Term O/S</b>	<b>Footnote #</b>
General Obligation Bonds	\$ 16,795,000	10	1
Section 108 Loan Guarantee:			
Convention Center Hotel	\$ 19,730,000	5	3
Darst Webbe	7,180,000	5	4
Total Section 108 Loan Guarantee	\$ 26,910,000		
MTFC Multimodal Direct Loan	\$ 1,053,036	3	6
Capital Lease- Rolling Stock	\$ 15,186,264	4	7
Kiel Certificates of Participation	\$ 4,490,000	6	1
Obligations with component units:			
Convention Center Hotel Capital Lease	\$28,427,134	4	1
Recovery Zone Facility Special			
Obligation Redevelopment Bonds 2010	15,774,979	24	1
(One City Centre)	\$ 44,202,113		
Loan agreement with Forest Park Forever	\$ 7,995,000	27	8
<b>Leasehold revenue improvement and refunding bonds:</b>			
CABS 2005	44,997,891	14	1
Convention Center Capital Improvement Projects & Infra Series 2009 A&B	31,016,922	22	1
Convention Center Refunding & Capital Improvement Project Series 2010	24,736,396	21	
Convention Center Refunding & Capital Improvement Project Series 2015	23,720,000	14	1
Justice Center Leasehold Revenue Bonds Series 2005	6,765,000	4	1
Justice Center Leasehold Revenue Ref Bonds Series 2011	18,060,000	3	1
Forest Park Revenue 2015	6,810,000	6	1
1520 Market Street Series 2015A	6,670,000	9	1
1520 Market Street Series 2015B	9,726,187	19	1
Recreation Sales Tax Series 2007	42,225,000	21	1
Pension Funding Project Series 2007	125,670,000	21	1
Police Capital Projects Series 2007	21,510,000	21	1

Public Safety Sales Tax Pension			
Funding 2008	6,500,000	3	1
Juvenile Detention 2008	21,425,000	22	1
City Parks Series 2014	25,060,000	17	1
Refuse Facility & Municipal Garage, Series 2016A	5,975,000	10	1
Refuse Facility Project, Series 2016B	5,835,000	6	1
Carnahan Courthouse Leasehold Revenue Refunding, Series 2016A	16,865,000	10	1
Qualified Energy Conservation Bonds, 2016B	3,635,000	15	1
Taxable Leasehold Revenue Bonds (Energy Efficiency Program) 2016C	405,000	4	1
	<u>\$ 447,607,396</u>		
<b>Joint venture financing agreement:</b>			
Convention & Sports Facility Project and Refunding Bonds Series C 2007 (includes Preservation Payments)	<u>\$ 28,845,675</u>	5	5
DNR loan program with Water	<u>\$5,117,511</u>		5
<b>Enterprise Revenue Bonds/Loan Programs</b>			
Airport	686,225,000	18	1
Parking Division	<u>70,737,667</u>	23	1,2
Governmental Funds	<u>\$756,962,667</u>		
<b>Total Debt</b>	<u><u>\$1,355,164,662</u></u>		

1) See Official Statement for the Bonds for more information.

2) Series 2003A & B Parking Revenue Bonds was a private offering & secured only by net revenues of the Cupples Garage.

3) HUD Section 108 Loan Guarantee Assistance Loan debt paid by TIF funds and backed by Community Development Block Grant.

4) HUD Section 108 Loan Guarantee Assistance Loan debt funded by Community Development Block Grant.

5) Drawdown loan with the Missouri Department of Natural Resources.

6) Agreement w/ Missouri Transportation Finance Corp. funding a portion of a transportation center. Debt paid from Capital Funds.

7) Lease agreements w/ Chase Equipment Leasing Corporation Debt funded by Capital Funds.

8) Subordinate bonds issued to Forest Park Forever, Inc.

## Tax Increment Financing Projects

The City has approved many Tax Increment Financing (“TIF”) projects. With the exception of the One City Centre bond issue, to the extent that the City has issued or will issue TIF revenue bonds to finance projects, such bonds will be paid exclusively from TIF revenues generated in the respective TIF redevelopment areas and are not anticipated to affect the City’s General Revenue Fund. TIF revenues were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately \$3 million. Also, TIF will supplement the revenues available to pay the portion of a series of bonds issued in 2006 to fund the Euclid-Buckingham garage that cost approximately \$4.5 million. City general revenues may be used to make payments on the One City Centre bonds if TIF revenues generated within that redevelopment area are not sufficient to pay amounts due in any year.

Four projects have been financed with Industrial Development Authority (“IDA”) TIF Revenue Bonds, namely, Edison Brothers for \$5.6 million issued on January 29, 2000, MLK Development for \$2.7 million issued on March 18, 2002, Southtown for \$6.4 million issued on September 14, 2006, and Loughborough for \$18.43 million issued on November 26, 2007. On March 11, 2015, the IDA issued \$5,050,000 Tax Increment Refunding Revenue Bonds, Series 2015 (Southtown Redevelopment Project) (the “Southtown Refunding Bonds”) to refund all outstanding Southtown TIF Revenue Bonds issued in 2006. As of June 30, 2016, the outstanding balances on the TIF Revenue Bonds were \$616,000 for Edison Brothers, \$1,150,000 for MLK Development, \$4,340,000 for the Southtown Refunding Bonds, and \$11,540,000 for Loughborough.

In addition, the Old Post Office Square TIF project was financed “pay as you go.” It will receive TIF revenue based on actual tax increments generated over the life of its redevelopment agreement. The Argyle TIF also has a “pay as you go” component, using funds not needed to cover the parking bond commitment for neighborhood improvements. Upon completion of the Emerging Technologies TIF, a “pay as you go” component took effect funding projects up to \$515,000.

In December of 2000, the City provided certain financial assistance in connection with the development and construction of a 165-room all-suites hotel (the “Suites”) and a 918-room convention headquarters hotel (the “Main Hotel” and, together with the Suites, the “Convention Hotel” or “Hotel”) located in downtown St. Louis. The Convention Hotel consists of two buildings, one adjacent to and the other across the street from the Convention Center, each of which is now under new and separate ownership. The total cost of developing and constructing the Convention Hotel was approximately \$266 million. The City contributed approximately \$50 million. The City’s contribution was funded by a Section 108 loan from the Department of Housing and Urban Development, Community Development Block Grant Funds and certain moneys realized by the City from a refinancing of the Convention Center. The City is using TIF revenue and contractual payments in lieu of taxes (“PILOTS”) payable by the owners of the Convention Hotel properties to repay the Section 108 loan. The City pledged annual Community Development Block Grant funds to secure the Section 108 loan in the event the revenues generated by and received from the owners of the Convention Hotel properties are insufficient to pay the Section 108 loan. In 2008, the owners of the Convention Hotel defaulted and UMB Bank, N.A., as trustee, foreclosed on the Convention Hotel in February 2009. Subsequently, the redevelopment agreement was amended whereby the PILOT payments owed by the Convention Hotel owners were extended and reduced by more than \$23 million over the life of the redevelopment agreement; tax credits and savings by the Hotel in excess of \$1 million annually were negotiated; and, ultimately, the trustee executed two purchase and sale agreements with two separate buyers of the Suites and the Main Hotel which closed simultaneously on May 30, 2014, together with the distribution of \$32,000,000 in sale proceeds to the bondholders on the same date. On November 3, 2014, the trustee made a final distribution to the bondholders in the aggregate amount of \$1,439,000.

The remaining TIF projects are financed with developer-held TIF revenue notes or third-party notes. All TIF revenue notes are special, limited obligations of the City payable solely from and secured by available TIF revenues. The TIF revenue notes do not constitute a general obligation of the City. In

addition, in 2012, the IDA issued bonds backed by a “pool” of TIF notes from several TIF redevelopment projects.

### **Missouri Downtown and Rural Economic Stimulus**

The City approved one Missouri Downtown Economic Stimulus Act (“*MODESA*”) financing for the Ballpark Village project. *MODESA* is similar to TIF with the exception that the State’s Development Finance Board must approve a proposed *MODESA* project and a portion of the State sales and income tax revenues, in addition to traditional local TIF revenues, are made available to make payments on *MODESA* debt. The statutory authorization for *MODESA* expired in 2013 and no further *MODESA* projects may be approved without an amendment to the *MODESA* statute. The Missouri Development Finance Board approved the Ballpark Village project on September 18, 2012. The IDA issued *MODESA* bonds in the amount of \$18,550,000 (the “*Ballpark Village Bonds*”) to fund Phase I of the Ballpark Village project on January 30, 2013. In addition to the real property PILOTs and a portion of City sales and other economic activity taxes, the Ballpark Village Bonds are expected to be repaid from a portion of certain State income and sales taxes generated from the Phase I Ballpark Village project.

The following table entitled “City of St. Louis, Missouri – Outstanding TIF and *MODESA* Debt” shows the combined outstanding TIF debt (including Industrial Development Authority TIF Revenue Bonds and TIF revenue notes) and *MODESA* debt as of June 30, 2016:

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**City of St. Louis, Missouri - Outstanding TIF and MODESA Debt**

<b><u>TIF #</u></b>	<b><u>Description</u></b>	<b><u>Original Issue</u></b>	<b><u>Outstanding Balance as of June 30, 2016</u></b>
6	Chouteau-Compton	\$3,600,000	\$2,258,000
8	Edison Brothers	5,600,000	616,,000
12	3800 Park	390,000	382,703
13	Gravois Plaza	4,049,000	2,531,000
14	Lafayette Square	3,350,000	785,000
17	4200 Laclede	925,400	704,000
18	MLK	2,680,000	1,150,000
19	Tech Electronics	900,000	900,000
20	1505 Missouri	659,540	654,540
21	Grand Center	27,132,940	22,057,940
22	Walter Knoll Florist	1,036,000	979,760
23	Louderman Building	2,444,400	1,992,103
24	920 Olive St.	2,667,732	2,667,732
25	Grace Lofts	1,715,725	1,490,725
26	Paul Brown Building	3,264,200	3,133,200
27	1141-1151 S. 7th Street	1,131,600	580,600
28	Terra Cotta	3,520,000	3,505,000
29	1312 Washington	419,000	206,000
30	Southtown Centre	7,383,998	5,636,923
31	2500 South 18th St.	524,000	510,000
32	Soulard Market Apt.	4,400,000	4,400,000
33	Printers Lofts	4,410,000	4,410,000
34	City Hospital	3,672,000	2,633,000
35	Fashion Square Lofts	4,105,000	3,083,000
36	1601 Washington	3,365,000	3,288,000
37	1619 Washington	1,930,000	1,879,000
38	Highlands at Forest Park	2,412,000	1,340,000
39	Security Building	3,345,000	3,043,000
40	Catlin Townhomes	432,000	266,000
41	Shenandoah Place	254,700	213,699
42	1133 Washington	1,133,500	813,000
43	Maryland Plaza South	4,133,176	3,881,176
44	410 N. Jefferson	1,735,000	1,664,000
45	Barton Street Lofts	390,500	121,000
46	Warehouse of Fixtures	6,348,500	5,785,000
47	Maryland Plaza North	1,061,418	410,342
48	Marquette Building	4,500,000	4,311,000
49	Gaslight Square East	1,770,000	1,129,000
50	1136 Washington	3,525,000	3,255,000
51	Washington East Condo	7,997,521	7,449,521
55	1300 Convention Plaza	941,525	899,000
56	Mississippi Place	863,100	736,000
57	Loughborough Commons	18,430,000	11,540,000
58	5700 Arsenal	1,370,000	488,000
59	Adler Lofts	939,151	758,151
60	Dogtown Walk II	434,500	392,000
61	East Bank	1,456,825	1,456,825
62	2300 Locust	1,544,046	1,503,088
63	Pet Building	3,162,500	3,008,500

65	Moon Brothers Carriage Lofts	1,490,000	1,481,000
67	1635 Washington	2,361,500	1,780,000
68	3949 Lindell	3,027,500	2,668,000
69	Ely Walker Lofts	6,017,600	5,478,000
70	West Town Lofts	2,456,500	2,205,000
71	Southside National Bank Building	1,447,600	1,352,056
72	Packard Lofts	1,329,500	1,116,000
73	Bee Hat Lofts	1,407,329	1,169,000
76	Delmar East Loop	3,000,000	2,178,000
77	6175-81 Delmar	2,140,300	1,453,000
79	Syndicate Trust Building	8,329,200	7,888,766
80	Ludwig Lofts	1,080,000	1,080,000
82	Union Club	1,933,500	1,900,000
83	Park Pacific	20,538,000	19,946,000
84	2200 Gravois	1,040,000	1,000,000
87	4100 Forest Park II	6,116,000	6,046,000
88	Grand/Cozens/Evans	1,650,000	1,461,000
89	Ballpark Lofts	8,122,000	7,515,000
90	GEW Lofts	3,260,000	3,004,000
91	1818 Washington-Tudor	2,451,400	2,165,000
92	Ballpark Village	18,550,000	18,332,000
95	The Foundry	450,500	434,500
101	Leather Trade Building	2,885,500	2,885,500
102	City Hospital RPA 3	10,033,500	9,845,000
106	1910 Locust	1,430,000	1,327,000
112	1001 Locust	2,112,500	2,013,000
113	South Carondelet #1	2,550,924	2,461,924
114	South Carondelet #2	146,500	143,500
116	City Hospital RPA #2	7,278,500	7,100,000
118	South Carondelet #4	312,144	305,144
119	Magnolia Thurman	442,900	365,000
121	4900 Manchester	1,370,500	1,229,000
122	3693 Forest Park	1,364,500	1,300,000
123	374 South Grand	4,665,500	3,863,000
124	Midtown Lofts	744,390	555,000
125	REO Lofts	642,890	554,000
128	1225 Washington	6,425,000	6,300,000
129	Laurel	19,875,000	18,970,000
130	Chouteau Crossing	1,946,000	1,930,183
132	Ford Building	943,000	826,000
134	Taylor Carrie	4,078,800	4,029,000
137	Railway Exchange Building	9,318,920	9,268,920
139	1111 Olive	2,396,000	2,392,000
141	141 North Broadway Carre	3,545,000	3,259,000
142	1549-1601 S Jefferson RPA1	1,739,000	1,700,000
144	2727 Washington	489,500	483,500
148	St. Louis Innovation RPA 1A	2,930,404	2,868,709
149	St. Louis Innovation RPA 1A(II)	22,000,000	22,000,000
150	St. Louis Innovation RPA 1B	12,705,722	12,705,722
154	706 Market	7,126,000	7,014,600
156	St. Louis Innovation RPA 7	<u>35,000,000</u>	<u>35,000,000</u>
	TOTAL	<u>\$428,152,520</u>	<u>\$381,231,805</u>

## Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of June 30, 2016 is set forth below (these figures do not include lease agreements):

	<b>General Obligation Bonds Outstanding</b>	<b>Percent Applicable to St. Louis</b>	<b>City's Direct and Overlapping Debt</b>
The City of St. Louis	\$ 16,795,000	100%	\$ 16,795,000
Transitional School District of the City of St. Louis	286,824,808	100	286,824,808
<b>Total</b>	<b><u>\$303,619,808</u></b>		<b><u>\$303,619,808</u></b>

Source: City Comptroller's Office.

## Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of June 30, 2016 (these figures do not include lease agreements):

	<b>Amount</b>	<b>Per Capita<sup>1</sup></b>	<b>Ratio to Assessed Value</b>
Total Direct Debt	\$ 16,795,000	\$ 52.60	0.39%
Total Direct and Overlapping Debt	303,619,808	950.91	6.94

<sup>1</sup> Based on Population from U.S. Census, 2010 (319,294).

Source: City Comptroller's Office.

## Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of June 30, 2016:

	<b>City Purposes Basic Limit</b>	<b>Streets and Sewers Additional Limit</b>
Assessed Value for Calendar Year 2015	\$ 4,372,999,058	\$ 4,372,999,058
Authorized Debt Limit 10% of Assessed Value	\$ 437,299,906	\$ 437,299,906
Less General Obligation Bonds	16,795,000	-
<b>Legal Debt Margin</b>	<b>\$ 420,504,906</b>	<b>\$ 437,299,906</b>

Source: City Comptroller's Office.



## EMPLOYEES AND EMPLOYEE RELATIONS

The City, as of July 1, 2016, employs approximately 5,000 persons who are paid from the City's General Revenue Fund.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. All public employees have "meet and confer" rights, which means, that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. No City employee has the right to strike. The City considers its employee relations to be good.

## RETIREMENT SYSTEMS

The City contributes to four defined benefit retirement plans. St. Louis firefighters are covered by two of the plans. Benefits accrued until February 1, 2013 are administered by The Firemen's Retirement System of St. Louis (the "*Firemen's System*" or "*FRS*"), which is a closed plan. Firefighter benefits accruing February 1, 2013 and thereafter are administered by the Firefighters' Retirement Plan (the "*Firefighter's Plan*" or "*FRP*"). The City also contributes to the Police Retirement System of St. Louis (the "*Police System*" or "*PRS*") which is a single-employer plan. The Employees' Retirement System of the City of St. Louis (the "*Employees' System*" or "*ERS*") is a cost-sharing multiple-employer plan. Each system is administered by a separate board of trustees, whose members are appointed by City officials and plan participants. Each of the four retirement plans' fiscal year-end is September 30.

All dollar amounts in this section, unless otherwise indicated, are expressed in thousands of dollars.

a. Firemen's Retirement System of St. Louis (Firemen's System or FRS)

1) System Description (FRS)

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis, 1601 S. Broadway, St. Louis, Missouri, 63104.

The following disclosures are based on the September 30, 2015 financial statements and the October 15, 2015 actuarial valuation. First effective with the valuation as of October 1, 2013, the October 15, 2015 valuation reflects the changes attributable to Ordinance No. 69245 and Ordinance No. 69353.

Key changes to the Firemen's System are as follows:

- Firemen's System is frozen as of February 1, 2013. That is, benefits paid from Firemen's System will be based on the member's service and salary earned as of February 1, 2013. Participants with benefit service in the Firemen's System are classified as "grandfathered" participants.
- Firefighters hired after February 1, 2013, are not members of the Firemen's System.

- Vesting and eligibility service earned after February 1, 2013, in the newly established Firefighter's Plan will count towards vesting and eligibility service in Firemen's System.
- Ancillary benefits, for disability or death occurring after February 1, 2013, are assumed to be paid from the newly established Firefighter's Plan to the extent that benefits do not depend on service earned prior to February 1, 2013.
- Employer contributions to the frozen Firemen's System will continue to be calculated under the Frozen Initial Liability cost method.
- Member contributions after February 1, 2013, from "grandfathered" members in the Firemen's System will be paid to the Firefighter's Plan.
- "Grandfathered" members with 20 or more years of service as of February 1, 2013, are eligible to retire with unreduced Firefighter's Plan benefits if retirement commences before age 55.
- "Grandfathered" members with less than 20 years of service as of February 1, 2013, are eligible to retire with actuarially reduced Firefighter's Plan benefits if retirement commences before age 55.

As a result of Ordinance No. 63953, the following assumptions were made:

- Since benefits paid under Firemen's System will no longer depend on future salary increases, future salary increase assumptions have been eliminated in the projection of pay and valuation of benefits. Costs will continue to be spread over the present value of future salary which includes future salary increases.
- It is assumed that "grandfathered" participants with less than 20 years of service as of February 1, 2013 will not retire prior to age 55. The retirement rates were adjusted to reflect accelerated retirement when these members first become eligible at age 55.
- It was assumed the Firemen's System frozen benefit relating to service and pay as of February 1, 2013, will be used to offset post-retirement survivor benefits paid under Firefighter's Plan.
- The overall rates of disability were not changed, but the proportion of ordinary accidental disabilities was changed from 20% ordinary and 80% accidental to 60% ordinary and 40% accidental.

Plan liabilities for Firemen's System after Ordinance No. 63953 are predominantly for retired members and their beneficiaries. That is, the proportion of retired liabilities to total plan liabilities is projected to be over 80% within 10 years.

An agreement between the City and Firemen's System was reached regarding the recognition of City contributions under Ordinance No. 69353. The City made contributions to Firemen's System from February 1, 2013, to September 30, 2013. The contributions made for this period recognize the impact of Ordinance No. 69353, certain excess Firefighter's Plan City contributions were transferred from Firemen's System to Firefighter's Plan in the amount of \$6,883 equal to the Firefighter's Plan City required contribution for the period February 1, 2013, to September 30, 2013 and a portion of the excess Firemen's System City contribution was credited towards the Firemen's System Entry Age Normal

Agreement (“Fireman’s Retirement EAN Note”) with the City in the amount of \$3,396.

The Firemen’s System, in accordance with Ordinance No. 62994, initiated during the Firemen’s System’s fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (“*FDROP*”). The *FDROP* plan is available to members of the system who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the *FDROP* account of the member, and the member’s contribution will be reduced to 1% from the normal 8%. During participation in the *FDROP* plan, the member will not receive credit for employer contributions or credit for service. A member may participate in the *FDROP* only once for any period up to five years. At retirement, the funds in the member’s *FDROP* account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy (FRS)

Firefighters contributed 8% of their salary to the Firemen’s System, as mandated per State statute and adopted by City ordinance through February 1, 2013 (date frozen). The City is required to contribute the remaining amounts necessary to fund the Firemen’s System.

3) Net Pension Liability (FRS)

The City’s net pension liability for FRS was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a)-(b)</b>
Balances at September 30, 2014	\$ 451,542	\$ 494,440	\$ (42,898)
Changes for the year:			
Service cost	—	—	—
Interest	34,403	—	34,403
Differences between expected and actual experience	15		15
Assumption changes	43,915		43,915
Benefit payments	(34,856)	(34,856)	—
Net investment income	—	(10,932)	10,932
Transfer out due to settlement	—	—	—
Administrative expenses		(1,594)	1,594
Net changes	43,477	(47,382)	90,859
Balances at September 30, 2015	\$ 495,019	\$ 447,058	\$ 47,961

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2015
Actuarial cost method:	
GASB 67 reporting	Entry Age Normal
Funding	Entry Age - frozen initial liability
Amortization method/period	30-year closed period from establishment
Remaining amortization period	None - No unfunded actuarial liability
Asset valuation method	3-year smoothed market value
Inflation	3.00%
Investment rate of return	7.0%, net of investment and administrative expenses
Projected salary increases	Benefits frozen as of February 1, 2013; therefore no salary increases have been assumed
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Updated for the 2015 valuation pursuant to an experience study of the October 1, 2010, through September 30, 2014.
Mortality	RP2000 mortality table, sex distinct, with rates projected to 2015

b. Firefighters' Retirement Plan (Firefighter's Plan or FRP)

1) System Description (FRP)

The Firefighter's Plan administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis firefighters.

The Firefighter's Plan issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Firefighters' Retirement Plan of the City of St. Louis, 1114 Market Street, Suite 900, St. Louis, Missouri 63101.

Effective February 1, 2013, benefit accruals under the Firemen's System were frozen. The Firefighter's Plan was established as of that date to provide retirement, disability and death benefits for service rendered after the effective date. Credited service accrued under the Firemen's System counts toward benefit accruals under the Firefighter's Plan, but benefits attributable to such services are offset by the benefits payable by the Firemen's System. Under the Firefighter's Plan, the plan provisions for members who were active as of February 1, 2013, the "grandfathered" participants, are substantially the same as the plan provisions for the Firemen's System.

The Firefighter's Plan provides retirement benefits as well as death and disability benefits. "Grandfathered" members are those who were employed prior to February 1, 2013. Members can voluntarily retire after a minimum of 20 years of service and upon reaching the normal retirement age of 55. A member who has 20 years of service but has not yet reached the age of 55 may elect an early retirement with the normal retirement benefit deferred until reaching the age of 55. In lieu of a deferred retirement benefit, the member may elect to receive his/her retirement benefit beginning on his/her early retirement date or on the

first day of any month thereafter prior to reaching age 55 with such benefit actuarially reduced from age 55. A member hired on or after the effective date of February 1, 2013 who terminates employment after completing 10 years of service, but before completing 20 years of service, is eligible for a full unreduced pension beginning at age 62. Such a member may elect to receive a refund of his/her contributions, plus interest, in lieu of a pension benefit.

The monthly allowance is determined by the average final monthly compensation over the last 5 years of service. For “grandfathered” members, the average is over the last 2 years of service. The monthly allowance consists of 40% of the applicable final average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before September 20, 2013 may increase the maximum pension beyond this limitation.

A “grandfathered” member with 20 or more years of credited service may elect to enter the DROP program and defer retirement for up to five years while continuing active employment. The benefit payments the participant would have received during that period are deposited into the FDROP account and earn interest at a rate equal to the percentage rate of return of the Trust Fund’s investment portfolio for that year. After five years or termination from the FDROP plan, the participant may retire or return to regular active service. Upon termination of employment, the participant can choose to receive the FDROP account with interest earned. If the participant dies prior to termination of employment, the FDROP account is paid as a lump sum to the participant’s beneficiary or estate. Active service while in the FDROP program is not included in the credited service used to calculate the participant’s final benefit amount.

Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the FDROP account of the member, and the member's contributions will be reduced to 1% from the normal contribution percentage. During participation in the FDROP, the member will not receive credit for City contributions or credit for service. A member may participate in the FDROP only once for any period up to five years. At retirement the funds in the member's FDROP account plus: 1) interest and 2) accrued sick leave if elected is available to the member in a lump sum or in installments.

2) Funding Policy (FRP)

A “grandfathered” member with at least 20 years of service as of February 1, 2013, contributes 8% of their salary, after-tax. All other members contribute 9% of their salary, pre-tax. The City is required to contribute the remaining amounts necessary to fund Firefighter’s Plan. All members who terminate employment before becoming eligible to receive a retirement benefit will receive a refund of all contributions plus interest. Members hired after February 1, 2013 who terminate employment before reaching age 55 and elect a refund of contributions in lieu of a pension benefit will also receive a refund of their contributions plus

interest, as will “grandfathered” participants who terminate employment before completing 20 years of service. Contributions to the Firefighter’s Plan made on or after the inception of the Firefighter’s Plan are not refundable to a member who receives a service retirement benefit, ordinary disability benefit, or a service connected disability benefit, except that contributions to the Firefighter’s Plan by a “grandfathered” member with at least 20 years of service as of inception who receives a service retirement benefit are refundable without interest.

An agreement between the City and the Firemen’s System was reached regarding the recognition of City contributions under Ordinance No. 69353. The City made contributions to the Firemen’s System from February 1, 2013, to September 30, 2013. The contributions for this period recognize the impact of Ordinance No. 69353, certain excess Firemen’s System City contributions were transferred from the Firemen’s System to the Firefighter’s Plan in the amount of \$6,883 to the Firefighter’s Plan City required contribution for the period February 1, 2013, to September 30, 2013 and a portion of the excess Firemen’s System City contribution was credited towards the Firemen’s System Entry Age Normal Agreement (“*Fireman’s Retirement EAN Note*”) with the City in the amount of \$3,396.

3) Net Pension Liability (FRP)

The City’s net pension liability for FRP was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a)-(b)</b>
Balances at September 1, 2014	\$ 52,268	\$ 19,859	\$ 32,409
Changes for the year:			
Service cost	6,227	—	6,227
Interest	6,146	—	6,146
Benefit changes	979		979
Differences between expected and actual experience	1,179	—	1,179
Benefit payments	(263)	(263)	—
Assumption changes	22,244		22,244
Contributions – employer	—	8,507	(8,507)
Contributions – employee	—	2,829	(2,829)
Net investment income	—	(843)	843
Administrative expenses		(313)	313
Net changes	36,512	9,917	26,595
Balances at September 1, 2015	\$ 88,780	\$ 29,776	\$ 59,004

The following were some of the significant actuarial assumptions used in the valuation of the Firefighter's Plan:

Date of actuarial valuation	October 1, 2015
Actuarial cost method	30-year closed period from establishment
GASB 67 reporting	Entry Age Normal
Funding	Entry Age Normal
Remaining amortization period	Started February 1, 2013
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	7.625%, net of investment and administrative expenses
Projected salary increases	Varies based on employee's years of service
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

c. Police Retirement System of St. Louis (Police System or PRS)

1) System Description (PRS)

All persons who become police officers and all police officers who enter or reenter St. Louis Police Department after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis, 2020 Market Street, St. Louis, Missouri 63103.

The Police System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation for the first 20 years of services, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. Such benefits are established by State statute.

The Police System implemented a Deferred Retirement Option Plan ("PDROP") feature during the Police System's fiscal year ended September 30, 1996. The PDROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the PDROP account, and will no longer make contributions to the Police System. During participation in the PDROP, the member will not receive credit for service, and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the PDROP. A member may participate in the PDROP only once for any period up to five years, at which point the member may reenter the Police System. At retirement, the funds in the member's PDROP account, plus interest are available to the member in a lump sum or in installments.

2) Funding Policy (PRS)

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with State statute. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the member's contributions are refunded without interest. Members whose employment is terminated or who resign prior to retirement, are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Net Pension Liability (PRS)

The City's net pension liability for PRS was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a)-(b)</b>
Balances at September 30, 2014	\$ 919,906	\$ 729,066	\$ 190,840
Changes for the year:			
Service cost	12,978	—	12,978
Interest	66,579	—	66,579
Difference between expected and actual experience	(2,041)	—	(2,041)
Change in assumption	16,249	—	16,249
Benefit payments	(69,533)	(69,533)	—
Contributions – employer	—	30,600	(30,600)
Contributions – employee	—	4,488	(4,488)
Net investment income	—	(8,326)	8,326
Administrative expenses	—	(1,400)	1,400
Net changes	24,232	(44,171)	68,403
Balances at September 30, 2015	\$ 944,138	\$ 684,895	\$ 259,243



The following were some of the significant actuarial assumptions used in the valuation of the Police System:

Date of actuarial valuation	October 1, 2015
Actuarial cost method	
GASB 67 reporting	Entry age normal
Funding	Aggregate, reduced by employee contributions
Amortization method/period	None - aggregate is funded over the future working lifetime of current participants
Asset valuation method	5-year smoothed market
Inflation	2.5%
Investment rate of return	7.75%, net of 0.15% administrative expenses
Projected salary increases	3.0% – 6.5%, varying by age
Mortality (Ordinary)	RP-2000 Blue Collar Combined projected to 2018
Mortality (Accidental)	0.03% per year for all ages in addition to ordinary mortality
Mortality (Disabled)	RP-2000 Disabled Retiree Mortality projected to 2018

d. Employees' Retirement System of the City of St. Louis (Employee's System or ERS)

1) System Description (ERS)

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis, 1114 Market Street, Suite 900, St. Louis, Missouri 63101.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the Employees' System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted accordingly to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan ("EDROP"), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for

retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special EDROP account monthly. The EDROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The EDROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30, for EDROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the EDROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy (ERS)

The Employees' System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 13.86% effective July 1, 2015, and 15.17% of active member payroll effective July 1, 2014.

Employees who became members of the Employees' System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

3) Net Pension Liability (ERS)

The City reported liability of \$189,687 for its proportionate share of the net pension liability as of September 30, 2015. The net pension liability for ERS was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the Employees' System relative to the contributions of all Employees' System participating employers. At September 30, 2015, the City's collective proportion was 83.52%, which was a decrease of 0.38 from its proportion measured as of September 30, 2014.

The following were some of the significant actuarial assumptions used in the valuation of the Employee's System:

Date of actuarial valuation	October 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Layered 20-year amortization of unfunded liability
Asset valuation method	5-year smoothed
Inflation	3.0%
Discount rate	8.00%
Projected salary increases	varies by age, ranging from 3.00% to 4.25%
Mortality(Healthy)	RP-2000 Healthy Mortality 3-year set-forward with generational projections using scale AA
Mortality(Disabled)	RP-2000 Disabled Mortality 3-year set-forward with generational projections using scale AA

### **Actuarial Methods and Assumptions**

The projection of future benefit payments for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation, as amended for significant changes to the plan that would impact the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## **LITIGATION**

### **General**

The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. As noted above, when no independent insurance coverage exists, payments of settlements and judgments are administered by PFPC, the City's self-insurance plan. The Law Department prepares vouchers for such payments which are submitted to the Comptroller's Office and drawn on PFPC's account.

### **Specific**

In 2011, a lawsuit styled *Tanisha Ross-Paige v. the St. Louis Board of Police Commissioners* was filed in the Twenty Second Judicial Circuit Court of the State of Missouri by Tanisha Ross-Paige, a former police officer, against the St. Louis Board of Police Commissioners, claiming that her supervising sergeant sexually harassed her and that she suffered retaliation for complaining about the conduct. On March 21, 2014, the jury awarded Ms. Ross-Paige \$7.5 million in damages, consisting of \$300,000 in compensatory damages and \$7.2 million in punitive damages. The verdict was against the St. Louis Board of Police Commissioners, a State agency, based on allegations made before the State turned over control of the police department to the City in 2013. Subsequent to the verdict, the Court awarded attorneys' fees and costs of \$214,525, but reduced the punitive damages to \$2,550,950. The Missouri Supreme Court accepted transfer and reversed the decision, remanding the case back to the trial court for a new trial. If a judgment is ultimately entered, the State is responsible for paying up to one half of the costs of such verdict up to a Fiscal Year total of \$1 million, with the City responsible for the balance.

In 2014, a lawsuit styled *George Allen and Lonzetta Taylor v. St. Louis Board of Police Commissioners, et al.* was filed in the United States District Court for the Eastern District of

Missouri. Plaintiff Allen, who is alleged to be mentally incompetent, was freed from prison in 2012 after his 1983 conviction for first degree murder was set aside; Plaintiff Taylor is Plaintiff Allen's mother. The suit essentially alleges that plaintiff Allen was wrongfully convicted and incarcerated for almost thirty (30) years as a result of police misconduct or incompetence. Valuation of this lawsuit has estimated that a verdict against the police defendants could amount to as much as \$20 million. However, because many of the allegations at issue in this suit occurred at a time when the Police Department was a state agency, there is a dispute as to the respective responsibilities of the State and City to pay any judgment or settlement arising out of this lawsuit. There is already collateral litigation between the State and City to clarify the responsibilities of the State and City on certain lawsuits where the allegations involve actions of police officers taken at a time when the Police Department was still a State agency. In all likelihood, in the event of a judgment or settlement of a suit of this nature, the State and City each may have to pay some portion thereof.

In addition, certain litigation relating to the City involves the possibility of lost revenue rather than awards of monetary damages. One such suit challenges the validity of the City's Payroll Tax, which generates approximately \$38 million in annual revenue. The suit, styled *Neuner, et al. v. City of St. Louis, et al.*, Case no. 1622-CC00219, was filed on February 1, 2016 in State court. The City and its Collector of Revenue, among others, are defending the case. Another such suit involved the City's red light camera ordinance, which authorized the issuance of red light violation citations to the owner of a vehicle based on camera recordings of such vehicle violating a red light. The City's red light ordinance was found to be invalid, resulting in a loss of net revenue to the City in the approximate amount of \$2 million to \$3 million per year.

## **APPENDIX B**

### **INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE: KPMG LLP, THE CITY'S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT. KPMG LLP HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.**

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**KPMG LLP**  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## **Independent Auditors' Report**

Honorable Mayor and Members of  
the Board of Aldermen of the  
City of St. Louis, Missouri:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds and the St. Louis Development Corporation discretely presented component unit. The assets and revenues (additions) of the pension trust funds represent 90% and 50% of the assets and revenues (additions), respectively, of the aggregate remaining fund information. The assets and revenues of the St. Louis Development Corporation represent 89% and 98% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds and the St. Louis Development Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts for those funds and discretely presented component unit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal





control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in note 1, effective July 1, 2014, the City of St. Louis, Missouri implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 20, the Budgetary Comparison Information on pages 133 through 138, and the Retirement Systems and Other Postemployment Benefit Plan Information on pages 139 through 147 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules – Additional Supplementary Information, and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Schedules – Additional Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements





themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the Combining and Individual Fund Financial Statements and Schedules – Additional Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016 on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Louis, Missouri's internal control over financial reporting and compliance.

**KPMG LLP**

St. Louis, Missouri  
January 26, 2016

<p style="text-align: center;"><b>CITY OF ST. LOUIS, MISSOURI</b> <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b> <b>JUNE 30, 2015</b></p>
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As management of City of St. Louis, Missouri (the City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the City for the fiscal year ended June 30, 2015. The information presented here should be read in conjunction with our letter of transmittal and the City's basic financial statements including the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**FINANCIAL HIGHLIGHTS (excluding discretely presented component units)**

- On a government-wide basis, the City's total assets and deferred outflow of resources exceeded its liabilities for the current fiscal year by \$829.0 million.
- Governmental activities and business-type activities had a net position of (\$473.9) million and \$1.3 billion, respectively.
- As of July 1, 2014, the City implemented GASB 68, *Accounting and Financial Reporting for Pensions*. The impact of implementing GASB 68, was a cumulative effect of change in accounting principle of \$289.5 million for governmental activities and \$22.2 million for business-type activities.
- The cost of services for the City's governmental activities was \$741.8 million in fiscal year 2015 (excluding interest and fiscal charges).
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$150.5 million. Of this amount, (\$18.2) million is unassigned fund balance.
- In fiscal year 2015, the City issued \$88.9 million in long-term debt to finance projects and refund debt in governmental activities and \$25.3 million in long-term debt for business-type activities.
- Development and tax increment financing (TIF) debt increased liabilities in the amount of \$40.0 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net position by an equal amount.

<p style="text-align: center;"><b>CITY OF ST. LOUIS, MISSOURI</b> <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b> <b>JUNE 30, 2015</b></p>
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## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using accounting methods similar to those used by private sector business.

The **Statement of Net Position** presents information on all of the City's assets, deferred outflow of resources, liabilities, and net position. Increases and decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities).

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, and community development, as well as, interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking division.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

Included in the financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, St. Louis Parking Commission Finance Corporation, and Grand Center Municipal Parking Finance Corporation as blended component units.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

<p style="text-align: center;"><b>CITY OF ST. LOUIS, MISSOURI</b> <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b> <b>JUNE 30, 2015</b></p>
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1. *Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and grants fund, which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of additional supplementary information as combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
  - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.
  - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, health insurance, and equipment service.
3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets that can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

<p style="text-align: center;"><b>CITY OF ST. LOUIS, MISSOURI</b> <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b> <b>JUNE 30, 2015</b></p>
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**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis, the Firefighter's Retirement Plan of the City of St. Louis, the Police Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds and other post-employment benefits.



<p align="center"><b>CITY OF ST. LOUIS, MISSOURI</b>  <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b>  <b>JUNE 30, 2015</b></p>
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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position:** The City's combined net position for fiscal year 2015 was \$829.0 million. Beginning of year net position for 2014 of \$1.1 billion was adjusted by \$312 million due to the implementation of GASB 68 as of July 1, 2014, resulting in adjusted beginning of year net position of \$829.1 million. Looking at the net position of governmental and business-type activities separately provides additional information.

**The City of St. Louis, Missouri**  
**Schedule of Net Position Summary**  
**June 30, 2015 and 2014**  
*(dollars in millions)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 398.4	400.1	382.6	372.6	781.0	772.7
Capital assets	839.4	863.8	1,841.2	1,855.4	2,680.6	2,719.2
<b>Deferred outflow of resources</b>	33.5	4.3	24.6	23.1	58.1	27.4
Total assets and deferred outflow of resources	1,271.3	1,268.2	2,248.4	2,251.1	3,519.7	3,519.3
<b>Liabilities</b>						
Long-term liabilities	1,556.2	1,267.7	882.6	897.4	2,438.8	2,165.1
Other liabilities	167.9	150.4	59.2	62.9	227.1	213.3
<b>Deferred inflow of resources</b>	21.1	0.0	3.7	0.0	24.8	0.0
Total liabilities and deferred inflow of resources	1,745.2	1,418.1	945.5	960.3	2,690.7	2,378.4
<b>Net position</b>						
Net investment in capital assets	544.3	535.0	1,055.5	1,033.7	1,599.8	1,568.7
Restricted	22.3	32.3	138.6	148.2	160.9	180.5
Unrestricted (deficit)	(1,040.4)	(717.2)	108.8	108.9	(931.6)	(608.3)
<b>Total net position</b>	\$ (473.8)	(149.9)	1,302.9	1,290.8	829.1	1,140.9

**ANALYSIS OF NET POSITION**

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflow of resources exceeded liabilities by \$829.1 million at the close of the most recent fiscal year.

The largest portion of the City's net position consists of its net investment in capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital

**CITY OF ST. LOUIS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2015**

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net position at the end of fiscal year 2015 and fiscal 2014, respectively, is \$160.9 million and \$180.5 million, which represent resources that are subject to external restrictions on how they may be used.

Total unrestricted net position decreased by \$323.3 million for the year ended June 30, 2015. Unrestricted governmental activities net position showed a \$1,040.4 million deficit at the end of 2015 as compared with a \$717.2 million deficit in 2014. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, five particular features of the City's recent financial activity affected the deficit in unrestricted governmental net position. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$31.4 million
- Joint venture financing agreement for the expansion of the convention center, \$33.4 million
- Obligations with component unit for the convention center hotel, \$35.3 million
- Obligations with component units for downtown development, \$16.1 million
- Redevelopment and Tax increment financing debt for economic development projects in the amount of \$340.3 million

Although the net position of the business-type activities account for the majority of overall net position, these resources cannot be used to make up for the unrestricted net position deficit in governmental activities. The City generally can only use the net position to finance the continuing operations of the Airport, Water Division, and the Parking Division.

<p align="center"><b>CITY OF ST. LOUIS, MISSOURI</b>  <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b>  <b>JUNE 30, 2015</b></p>
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The City of St. Louis, Missouri  
**Changes in Net Position**  
**For the Fiscal Years ended June 30, 2015 and 2014**  
*(dollars in millions)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 129.9	137.5	235.3	238.4	365.2	375.9
Operating grants and contributions	60.8	57.2	1.3	0.7	62.1	57.9
Capital grants and contributions	8.0	5.6	23.6	16.7	31.6	22.3
<b>General revenues:</b>						
Taxes	559.2	559.2	—	—	559.2	559.2
Investment income	0.4	0.4	3.0	1.8	3.4	2.2
<b>Total revenues</b>	<u>758.3</u>	<u>759.9</u>	<u>263.2</u>	<u>257.6</u>	<u>1,021.5</u>	<u>1,017.5</u>
<b>Expenses:</b>						
General government	58.7	94.8	—	—	58.7	94.8
Convention and tourism	5.8	5.7	—	—	5.8	5.7
Parks and recreation	30.1	31.8	—	—	30.1	31.8
Judicial	50.7	52.0	—	—	50.7	52.0
Streets	73.4	69.6	—	—	73.4	69.6
<b>Public safety:</b>						
Fire	64.7	86.1	—	—	64.7	86.1
Police	202.1	209.8	—	—	202.1	209.8
Other	58.7	59.3	—	—	58.7	59.3
Health and welfare	54.1	49.6	—	—	54.1	49.6
Public service	78.0	76.9	—	—	78.0	76.9
Community development	65.5	35.2	—	—	65.5	35.2
Interest and fiscal charges	60.6	58.0	—	—	60.6	58.0
Airport	—	—	160.2	175.1	160.2	175.1
Water Division	—	—	46.8	50.2	46.8	50.2
Parking Division	—	—	13.9	14.0	13.9	14.0
<b>Total expenses</b>	<u>802.4</u>	<u>828.8</u>	<u>220.9</u>	<u>239.3</u>	<u>1,023.3</u>	<u>1,068.1</u>
<b>Excess (deficiency) before extraordinary items and transfers</b>	<u>(44.1)</u>	<u>(68.9)</u>	<u>42.3</u>	<u>18.3</u>	<u>(1.8)</u>	<u>(50.6)</u>
Extraordinary items	—	—	1.7	7.6	1.7	7.6
Transfers	9.6	9.4	(9.6)	(9.4)	—	—
<b>Change in net position</b>	<u>(34.5)</u>	<u>(59.5)</u>	<u>34.4</u>	<u>16.5</u>	<u>(0.1)</u>	<u>(43.0)</u>
<b>Net position-beginning of year</b>	<u>(149.9)</u>	<u>39.1</u>	<u>1,290.8</u>	<u>1,288.4</u>	<u>1,140.9</u>	<u>1,327.5</u>
<b>Cumulative effect of change in accounting principles</b>	<u>(289.5)</u>	<u>(129.5)</u>	<u>(22.3)</u>	<u>(14.2)</u>	<u>(311.8)</u>	<u>(143.7)</u>
<b>Net position-beginning of year, adjusted</b>	<u>(439.4)</u>	<u>(90.4)</u>	<u>1,268.5</u>	<u>1,274.2</u>	<u>829.1</u>	<u>1,183.8</u>
<b>Net position-end of year</b>	<u>\$ (473.9)</u>	<u>(149.9)</u>	<u>1,302.9</u>	<u>1,290.7</u>	<u>829.0</u>	<u>1,140.8</u>



**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

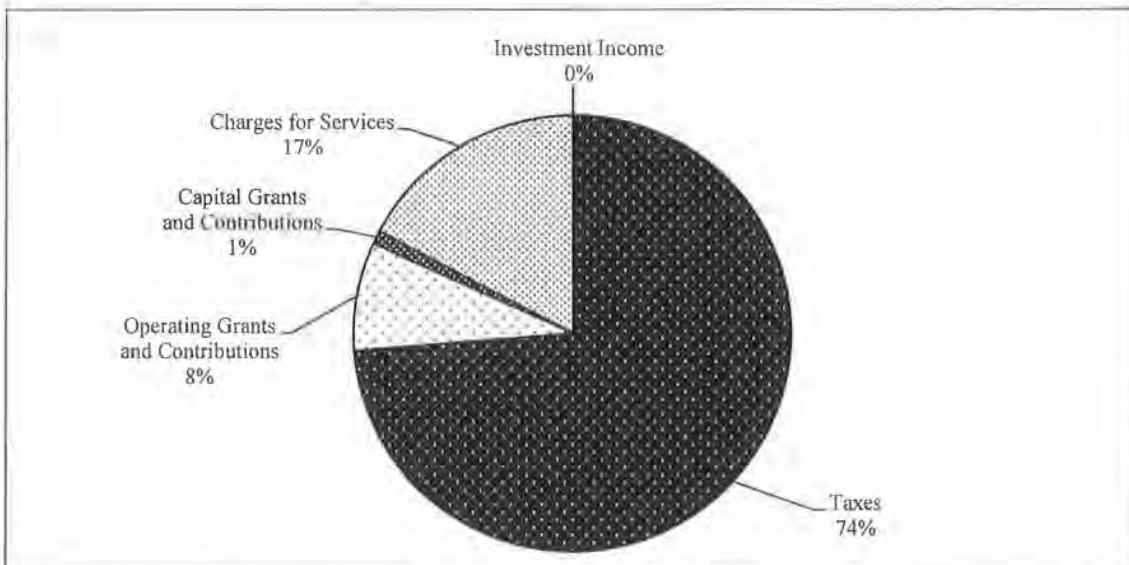
**Changes in net position.** The City's total revenue on a government-wide basis was \$1,021.5 million, an increase of \$4.0 million over the previous year. Taxes represent 54.7% of the City's revenue as compared with 54.9% last year. Additionally, 35.8% comes from fees charged for services, as compared to 37.0% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was \$1,023.3 million, an decrease from \$1,068.1 million last fiscal year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

The cumulative effect of change in accounting principle in the government-wide due to implementation of GASB 68, reduced the beginning balance by \$311.8 million.

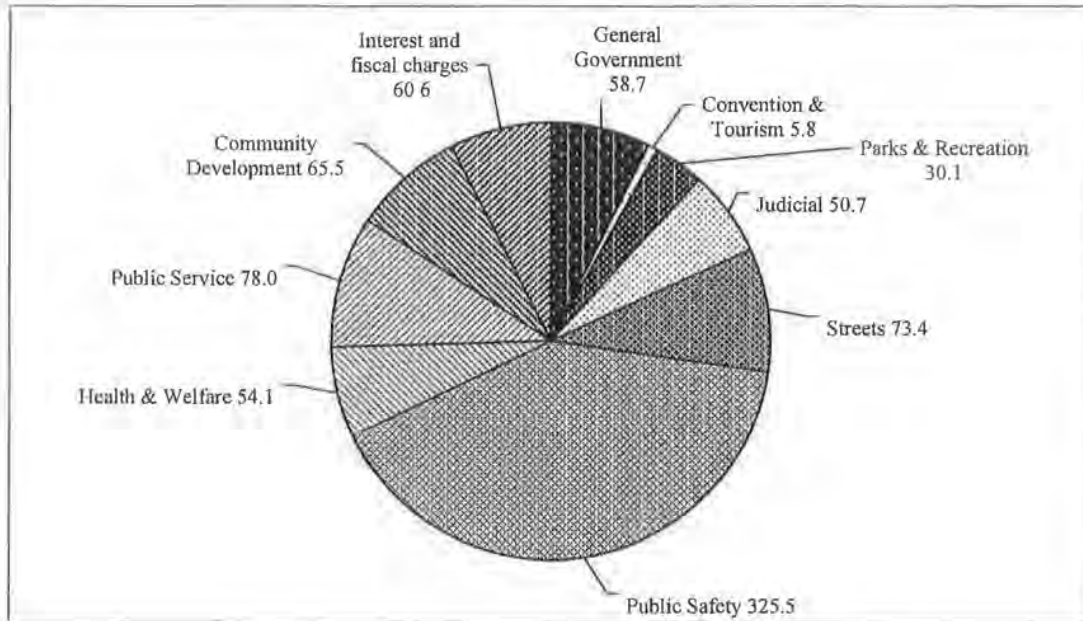
**Governmental activities.** As a result of this year's operations, the net position of governmental activities decreased by \$34.5 million or 23% without taking into account the cumulative effect of change in accounting principle. The net position decrease is primarily related to the City issuing TIF debt recorded in community development which increased expenses. Revenues decreased by \$1.6 million or 0.2%. Total expenses decreased by \$26.4 million or 3.2%. General government expenditures decreased by \$36.1 million or 38.1% due to expenses associated with the City assuming control of the Police Department that were recorded in fiscal year 2014. Community development expenses increased due to a tax increment financing debt issuance in fiscal year 2015.

The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2015.



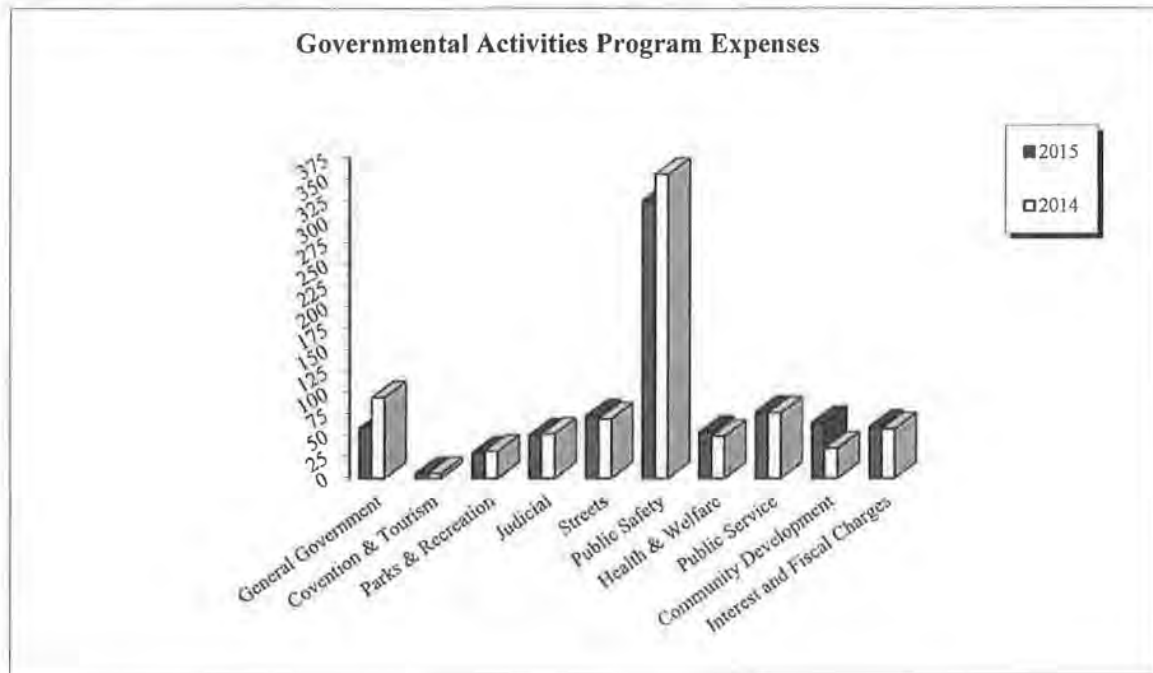
**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was \$802.4 million, an decrease of \$26.4 million or 3.2% over the prior year. As shown, public safety is the largest function in expense (40.6%). The majority of the spending was the result of funding Police of \$202.1 million and Streets of \$73.4 million.



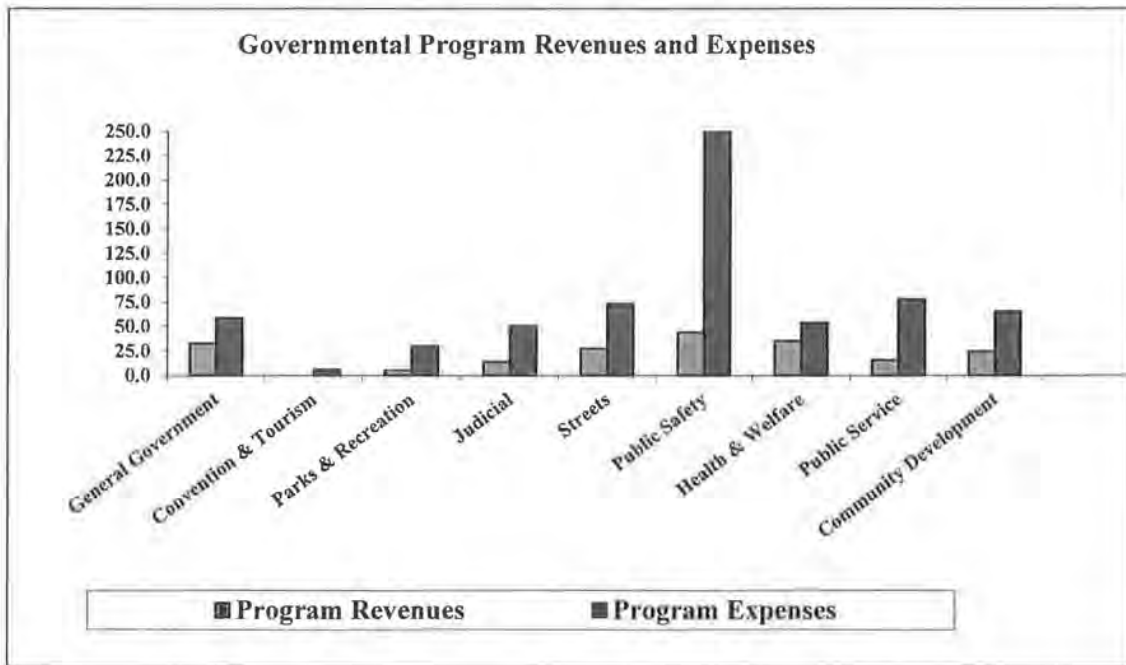
**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

The following chart is a comparison of expense of governmental activities for fiscal years ended 2015 and 2014.



**CITY OF ST. LOUIS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2015**

The following chart depicts the total expenses and total program revenues of the City's governmental functions for the year ended June 30, 2015.



**The City of St. Louis, Missouri  
Governmental Activities  
(dollars in millions)**

	Total Cost of Services		Net Costs of Services	
	2015	2014	2015	2014
General government	\$ 58.7	94.8	26.1	59.2
Convention and tourism	5.8	5.7	5.8	5.7
Parks and recreation	30.1	31.8	24.8	25.0
Judicial	50.7	52.0	36.6	27.0
Streets	73.4	69.6	45.9	42.8
Public Safety:				
Fire	64.7	86.1	51.4	74.9
Police	202.1	209.8	193.0	201.1
Other	58.7	59.3	37.0	35.6
Health and welfare	54.1	49.6	18.9	18.8
Public service	78.0	76.9	62.4	68.5
Community development	65.5	35.2	41.1	11.7
<b>Totals</b>	<b>\$ 741.8</b>	<b>770.8</b>	<b>543.0</b>	<b>570.3</b>

**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was \$741.8 million compared with \$770.8 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was \$559.2 million. The primary difference of \$182.6 million comprises charges for services (\$129.9 million), operating grants and contributions (\$60.8 million), and capital grants and contributions (\$8.0 million).

**Business-Type activities.** Business-type activities reflect an increase in net position of \$34.4 million or 2.7%.

**Lambert – St. Louis International Airport.** The net position of the Airport increased by \$13.6 million or 1.3% after considering the cumulative effect of a change in accounting principle of \$13.4 million. The operating income was \$16.0 million this year versus operating income of \$4.7 million in 2014. Total operating revenues for 2015 was \$140.2 million. Of this amount, major sources of operating revenue included aviation revenues (64.8%), concessions (18.3%), parking, net (13.5%), and lease revenue (3.4%). A significant non-operating revenue is passenger facility charges which accounts for \$24.2 million.

At June 30, 2015, the capital assets balance was \$1,617.0 million. This amount includes buildings and structures (net of accumulated depreciation) of \$274.2 million, pavings with \$551.8 million, and equipment with \$23.8 million, all net of accumulated depreciation. Land is \$751.5 million, construction in progress is \$12.2 million, and easements is \$3.5 million.

At June 30, 2015, the Airport had bonded debt of \$757.7 million.

**Water Division.** The net position of the Water Division increased by \$4.8 million or 5.9%, after considering the cumulative effect of a change in accounting principle of \$7.7 million. Operating income was \$7.4 million this year versus an operating income of \$6.2 million in 2014. Total operating revenues for 2015 was \$53.8 million. Of this amount, major sources of operating revenue included metered revenue (41.4%) and flat rate revenue (46.7%).

At June 30, 2015, the capital assets balance was \$150.1 million. This amount includes buildings and structures (net of accumulated depreciation) with \$15.2 million, reservoirs and water mains, lines and accessories with \$96.7 million, equipment with \$33.4 million, land with \$1.2 million, and construction-in-progress with \$3.6 million.

At June 30, 2015, the Water Division had bonded debt of \$2.3 million.

**Parking Division.** The net position of the Parking Division increased by \$1.3 million or 4.1%, after considering the cumulative effect of a change in accounting principle of \$1.2 million. Operating income was \$6.1 million in fiscal year 2015 and \$5.1 million in fiscal year 2014. Total operating revenues for 2015 was \$16.1 million. Of this amount, major sources of operating revenue included parking meter revenue (14.7%), parking violations notices revenue (25.3%), and parking facilities revenue (56.5%).

At June 30, 2015, the capital assets balance was \$74.1 million. This amount includes buildings and parking garages (net of accumulated depreciation) with \$48.9 million, parking meters and lot equipment with \$1.9 million, equipment with \$0.4 million, and land with \$22.9 million.

<p align="center"><b>CITY OF ST. LOUIS, MISSOURI</b>  <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b>  <b>JUNE 30, 2015</b></p>
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At June 30, 2015, the Parking Division had bonded debt of \$73.7 million.

**The City of St. Louis, Missouri**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**  
*(dollars in millions)*

	<u>2015</u>	<u>2014</u>	<u>2015 vs. 2014</u> <u>\$ Change</u>	<u>2015 vs. 2014</u> <u>% Change</u>
<b>Total assets</b>	\$ 357.2	359.7	(2.5)	-0.7%
Total liabilities	98.0	89.5	8.5	9.5%
Deferred inflow of resources	93.8	91.7	2.1	—%
Fund balance:				
Restricted	101.8	114.7	(12.9)	-11.2%
Committed	73.2	73.6	(0.4)	-0.5%
Assigned	8.6	11.6	(3.0)	-25.9%
Unassigned	(18.2)	(21.4)	3.2	-15.0%
Total fund balance	165.4	178.5	(13.1)	-7.3%
<b>Total liabilities, deferred inflow of resources, and fund balance</b>	\$ 357.2	359.7	(2.5)	-0.7%

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### ***Governmental Funds***

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$0.

The total fund balance in the City's general fund decreased by \$7.1 million or 19.8% in the current fiscal year. The City's general fund decreased by \$18.9 million or 34.6% in the prior fiscal year.

The total fund balance in the City's capital projects fund decreased by \$3.9 million or 6.8% in the current fiscal year. The City's capital projects fund increased by \$31.4 million or 119.1% in the prior fiscal year.

The grants fund received \$60.8 million in intergovernmental revenues that funded community development in the amount of \$17.4 million, or 28.9%, and health and welfare in the amount of \$33.8 million, or 55.6% in the current fiscal year. In the prior fiscal year, the grants fund received \$57.2 million in intergovernmental revenues that funded community development in the amount of \$16.9 million, or 29.5%, and health and welfare in the amount of \$28.9 million, or 50.5% in the prior fiscal year.

The total fund balance in the City's other governmental funds decreased by \$355 thousand or 0.4 % in the current fiscal year. The City's other governmental funds increased by \$658 thousand or 0.8 % in the prior fiscal year.



**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for the Airport was \$68.9 million, the Water Division was \$24.7 million, and the Parking Division was \$15.3 million, as compared with \$65.9 million, \$27.8 million, and \$15.2 million, respectively in 2014. The total increase in net position for the enterprise funds was \$12.1 million in the current year, after considering the cumulative effect of change in accounting principle – an increase of \$9.7 million from the previous year.

***Fiduciary Funds***

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Firefighters' Plan, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net position of the pension funds totaled \$2.0 billion, an increase of \$93 million from the previous year.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there is no net position to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$48.6million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

**General Fund Budgetary Highlights**

The final budget for the City's general fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year.

This discussion presents the budget information on the budgetary basis as the Board of Alderman approves the budget.

The original general fund revenue estimate including transfers in, totaled \$484.4 million. Actual results for the fiscal year's revenues and transfers in were \$489.2 million, which was above the original estimates by \$4.8 million.

The original general fund expense budget was \$489.5 million including transfers out. This also includes prior year encumbrances and commitments of \$6.1 million set aside and reappropriated. Actual expenditures and transfers out totaled \$488.1 million. This includes expenditures of \$3.6 million from prior year encumbrances and commitments. The encumbrances and commitments carried over into the next fiscal year in regard to the fiscal year 2015 budget total \$1.6 million. The general fund ended the fiscal year with a budget-basis-operating surplus of \$1.1 million. In addition, a transfer out of \$1.0 million was made to a 27<sup>th</sup> Pay Reserve. As of June 30, 2015, the unreserved fund balance of the general fund was \$9.1 million on a cash basis.

**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

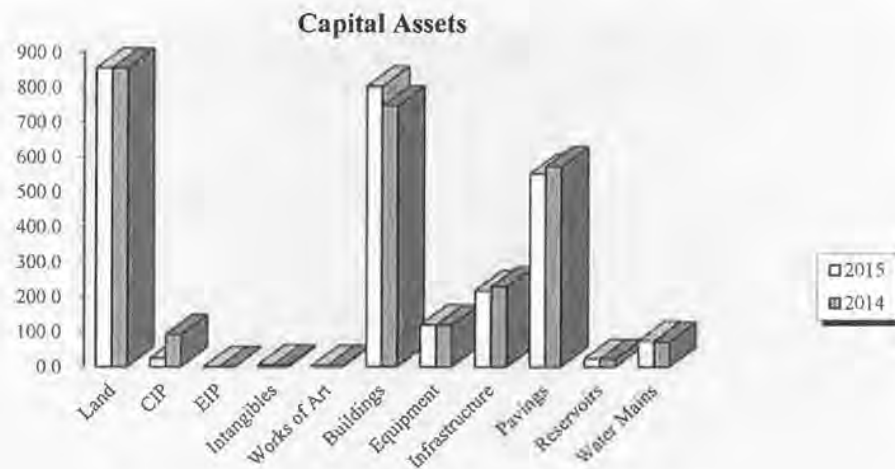
**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City had invested \$2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems.

**Schedule of Changes in Capital Assets**  
**Net of Accumulated Depreciation**  
*(dollars in millions)*

		<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
		2014	2014	2015	2014	2015	2014
Land	\$	80.4	80.2	775.7	775.7	856.1	855.9
Construction in progress		9.6	28.8	15.8	64.0	25.4	92.8
Equipment in progress		0.8	1.0	—	—	0.8	1.0
Intangibles		1.2	1.0	3.5	3.5	4.7	4.5
Works of art		3.6	3.5	—	—	3.6	3.5
Buildings and improvements		463.8	459.5	338.3	287.0	802.1	746.5
Equipment		60.5	59.5	59.5	59.6	120.0	119.1
Infrastructure		218.5	229.2	—	—	218.5	229.2
Intangibles		1.0	1.2	—	—	1.0	1.2
Pavings		—	—	551.8	572.3	551.8	572.3
Reservoirs		—	—	22.5	22.6	22.5	22.6
Water mains, lines, accessories		—	—	74.1	70.7	74.1	70.7
<b>Total</b>	<b>\$</b>	<b>839.4</b>	<b>863.9</b>	<b>1,841.2</b>	<b>1,855.4</b>	<b>2,680.6</b>	<b>2,719.3</b>





**CITY OF ST. LOUIS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
**JUNE 30, 2015**

For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

**Long-Term Debt**

At the end of fiscal year 2015, the City had outstanding long-term debt obligations for governmental activities in the amount of \$953.2 million compared with \$968.9 million in fiscal year 2014. Of this amount, \$23.0 million are general obligation bonds and \$340.3 million are development and tax increment financing bonds and notes payable. Leasehold revenue obligations outstanding totaled \$435.0 million.

**The City of St. Louis, Missouri**  
**Outstanding Long-Term Debt Obligations – Governmental Activities**  
*(dollars in millions)*

	<u>Fiscal Year</u> <u>2015</u>	<u>Fiscal Year</u> <u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds payable	\$ 23.0	28.1	(5.1)	-18.1%
Section 108 Loan Guarantee Assistance Programs	31.4	35.6	(4.2)	-11.8%
Firemen's Retirement EAN Note	0.0	3.4	(3.4)	-100.0%
Loan agreement with FPF	5.2	4.6	0.6	13.0%
Development and tax increment financing bonds and notes payable	340.3	300.3	40.0	13.3%
Loan agreement with Missouri Transportation Finance Corporation	1.6	2.0	(0.4)	-20.0%
Capital lease—rolling stock	19.7	24.7	(5.0)	-20.2%
Certificates of participation	5.2	6.1	(0.9)	-14.8%
Obligations with component units	51.4	51.6	(0.2)	-0.4%
Leasehold revenue improvement and refunding bonds	435.0	470.9	(35.9)	-7.6%
Joint venture financing agreement	33.5	37.9	(4.4)	-11.6%
Unamortized premium/discounts	6.9	3.7	3.2	86.5%
<b>Total</b>	<b>\$ 953.2</b>	<b>968.9</b>	<b>(15.7)</b>	<b>-1.6%</b>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2015 was \$430.2 million. The City's effective legal debt margin as of June 30, 2015 was \$414.2 million. For additional information on long-term debt, refer to the note 13 to the basic financial statements.

<p align="center"><b>CITY OF ST. LOUIS, MISSOURI</b>  <b>MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED</b>  <b>JUNE 30, 2015</b></p>
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The City's underlying general obligation credit ratings remained unchanged for fiscal year 2015. The City ratings on uninsured general obligation bonds as of June 30, 2015 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A+
Fitch IBCA, Inc. Ratings	A

**The City of St. Louis, Missouri**  
**Revenue Bonds Outstanding**  
**Long-Term Debt Obligations – Business-Type Activities**  
*(dollars in millions)*

	<u>Fiscal Year</u> <u>2015</u>	<u>Fiscal Year</u> <u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Airport	\$ 726.0	798.9	(72.9)	-9.13%
Water Division	2.3	4.8	(2.5)	-52.08%
Parking Division	73.5	70.0	3.5	5.00%
Total	<u>\$ 801.8</u>	<u>873.7</u>	<u>(71.9)</u>	<u>-8.23%</u>

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2015 and 2014 were \$801.8 million and \$873.7 million, respectively. The amount reflects a decrease of \$71.9 million, or 8.23%. This amount includes Airport bonds of \$726.0 million, Water Division bonds of \$2.3 million, and Parking Division bonds of \$73.5 million. For additional information on revenue bonds of the business-type activities, refer to notes 13 and 17 of the basic financial statements.

**Economic Factors and Next Year's Budget**

- The fiscal year 2016 annual operating budget allocates \$1,016.3 million among all budgeted funds, a 1.0% increase over the previous year's budget.
- The fiscal year 2016 general fund budget is \$492.6 million compared with \$487.5 million, which includes a \$3.5 million supplemental appropriation in the prior year. This amount reflects an increase of \$5.1 million, or 1.1%.
- Total positions for fiscal year 2016 are 6,677, an increase of 16 positions mainly in the public safety division.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, 1200 Market Street, Room 311, Saint Louis, Missouri 63103.



City of St. Louis, Missouri  
Statement of Net Position  
June 30, 2015  
(dollars in thousands)

	Primary Government			Component units	
	Governmental activities	Business-type activities	Total	SLDC	SWMDC
<b>Assets</b>					
Cash and cash equivalents	\$ 96,958	72,583	169,541	8,970	1,042
Investments	9,158	93,805	102,963	—	—
Receivables, net	171,165	31,780	202,945	15,282	25
Inventories	1,047	4,677	5,724	—	—
Restricted assets	70,063	182,340	252,403	—	—
Internal balances	9,842	(9,842)	—	—	—
Other assets	1,425	2,988	4,413	435	—
Receivable from primary government	—	—	—	121	—
Net pension asset	38,743	4,305	43,048	—	—
Property held for development, net	—	—	—	8,890	—
Capital assets, net:					
Nondepreciable	95,561	795,001	890,562	5,284	—
Depreciable	743,845	1,046,225	1,790,070	25,012	7,129
Total assets	1,237,807	2,223,862	3,461,669	63,994	8,196
<b>Deferred outflow of resources</b>	33,547	24,592	58,139	—	—
Total assets and deferred outflow of resources	1,271,354	2,248,454	3,519,808	63,994	8,196
<b>Liabilities</b>					
Accounts payable and accrued liabilities	17,376	26,021	43,397	1,702	41
Accrued salaries and other benefits	20,646	8,366	29,012	—	—
Accrued interest payable	120,263	19,130	139,393	—	—
Unearned revenue	3,077	5,634	8,711	—	—
Other liabilities	6,422	—	6,422	—	—
Payable to component units	121	—	121	—	—
Payable to other government agencies	4	60	64	—	—
Long-term liabilities:					
Due within one year	120,243	42,940	163,183	11,774	—
Due in more than one year	1,435,978	839,683	2,275,661	24,796	—
Total liabilities	1,724,130	941,834	2,665,964	38,272	41
<b>Deferred inflow of resources</b>	21,093	3,740	24,833	—	—
Total liabilities and deferred inflow of resources	1,745,223	945,574	2,690,797	38,272	41
<b>Net Position</b>					
Net investments in capital assets	544,300	1,055,441	1,599,741	16,956	7,129
Restricted:					
Debt service	—	116,730	116,730	—	—
Capital projects	—	3,522	3,522	—	—
Passenger facility charges	—	18,346	18,346	—	—
Statutory restrictions	22,284	—	22,284	—	—
Unrestricted (deficit)	(1,040,449)	108,841	(931,608)	8,766	1,026
Total net position	\$ (473,865)	1,302,880	829,015	25,722	8,155

See accompanying notes to basic financial statements.

City of St. Louis, Missouri  
Statement of Activities  
Year ended June 30, 2015  
(dollars in thousands)

Function/Programs	Expenses	Program revenues			Net (expense) revenue and changes in net position			Component units	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total	SLDC	SWMDC
					Governmental activities	Business-type activities			
Primary government:									
Governmental activities:									
General government	\$ 58,679	32,455	112	—	(26,112)	—	(26,112)	—	—
Convention and tourism	5,775	—	—	—	(5,775)	—	(5,775)	—	—
Parks and recreation	30,111	4,611	673	—	(24,827)	—	(24,827)	—	—
Judicial	30,730	12,042	2,074	—	(36,614)	—	(36,614)	—	—
Streets	73,452	26,898	(3)	630	(45,927)	—	(45,927)	—	—
Public safety:									
Fire	64,658	12,562	713	—	(51,383)	—	(51,383)	—	—
Police	202,080	6,228	2,846	—	(193,006)	—	(193,006)	—	—
Other	58,714	21,376	1,830	(1,485)	(36,993)	—	(36,993)	—	—
Health and welfare	54,071	875	34,258	—	(18,938)	—	(18,938)	—	—
Public service	78,021	6,974	16	8,629	(62,402)	—	(62,402)	—	—
Community development	65,499	5,907	18,273	213	(41,106)	—	(41,106)	—	—
Interest and fiscal charges	60,580	—	—	—	(60,580)	—	(60,580)	—	—
Total governmental activities	802,370	129,928	60,792	7,987	(603,663)	—	(603,663)	—	—
Business-type activities:									
Airport	160,233	164,745	1,277	23,284	—	29,073	29,073	—	—
Water Division	46,799	54,399	—	343	—	7,943	7,943	—	—
Parking Division	13,851	16,129	—	—	—	2,278	2,278	—	—
Total business-type activities	220,883	235,273	1,277	23,627	—	39,294	39,294	—	—
Total primary government	\$ 1,023,253	365,201	62,069	31,614	(603,663)	39,294	(564,369)	—	—
Component units:									
SLDC	\$ 34,796	8,906	23,464	—	—	—	—	(2,425)	—
SWMDC	988	150	—	636	—	—	—	—	(202)
Total component units	\$ 35,784	9,056	23,464	636	—	—	—	(2,425)	(202)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					\$ 77,365	—	77,365	—	—
Property taxes, levied for debt service					6,406	—	6,406	—	—
Sales taxes					175,581	—	175,581	—	—
Earnings/payroll taxes					203,251	—	203,251	—	—
Gross receipts taxes (includes franchise tax)					92,160	—	92,160	—	—
Miscellaneous taxes					4,485	—	4,485	—	—
Unrestricted investment earnings					381	2,956	3,337	107	—
Extraordinary item - Natural disaster					—	1,737	1,737	—	—
Transfers					9,619	(9,619)	—	—	—
Total general revenues, extraordinary items, and transfers					569,248	(4,926)	564,322	107	1
Change in net position					(34,415)	34,368	(47)	(2,318)	(201)
Net position, beginning of year					(149,928)	1,290,808	1,140,880	28,040	8,356
Cumulative effect of change in accounting principles					(289,522)	(22,296)	(311,818)	—	—
Net position - beginning of year, adjusted					(439,450)	1,268,512	829,062	28,040	8,356
Net position - end of year					\$ (473,865)	1,302,880	829,015	25,722	8,155

See accompanying notes to basic financial statements

City of St. Louis, Missouri  
Balance Sheet  
Governmental Funds  
June 30, 2015  
(dollars in thousands)

		Major funds		Nonmajor funds	
		General fund	Capital projects fund	Other governmental funds	Total governmental funds
<b>Assets</b>					
Cash and cash equivalents:	\$				
Restricted		6,926	6,963	6,284	21,364
Unrestricted		34,054	11,587	46,453	92,094
Investments:					
Restricted		9,192	32,577	6,930	48,699
Unrestricted		1,814	1,754	2,794	9,011
Receivables, net of allowances:					
Taxes		98,178	3,705	45,630	147,513
Licenses and permits		2,507	—	218	2,725
Intergovernmental		3,468	1,355	722	13,971
Charges for services		3,870	27	1,239	5,136
Other		477	503	474	1,458
Inventory		1,047	—	—	1,047
Prepaid asset		685	—	—	685
Due from component units		—	—	535	535
Due from other funds		8,245	—	4,737	12,982
Total assets	\$	<u>170,463</u>	<u>58,471</u>	<u>116,016</u>	<u>357,220</u>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$	5,452	3,331	1,675	17,020
Accrued salaries and other benefits		18,308	141	1,144	20,646
Due to component units		—	—	625	625
Due to other funds		3,911	451	1,122	9,321
Due to other governmental agencies		4	—	—	4
Advance to other funds		40,917	—	—	40,917
Unearned revenue		333	—	2,744	3,077
Other liabilities		6,453	—	—	6,453
Total liabilities		<u>75,378</u>	<u>3,923</u>	<u>7,310</u>	<u>98,063</u>
Deferred inflow of resources		<u>66,432</u>	<u>693</u>	<u>26,641</u>	<u>93,766</u>
Total liabilities and deferred inflow of resources		<u>141,810</u>	<u>4,616</u>	<u>33,951</u>	<u>191,829</u>
Fund balances (deficit):					
Nonspendable		2,425	—	11	2,436
Restricted		14,852	38,412	45,271	99,353
Committed		9,134	33,670	30,404	73,208
Assigned		2,242	—	6,379	8,621
Unassigned		—	(18,227)	—	(18,227)
Total fund balances		<u>28,653</u>	<u>53,855</u>	<u>82,065</u>	<u>165,391</u>
Total liabilities, deferred inflow of resources, and fund balances	\$	<u>170,463</u>	<u>58,471</u>	<u>116,016</u>	<u>357,220</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2015  
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	\$ 165,391
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and certain other assets used in governmental activities, which exceed capitalization threshold amounts (excluding internal service fund capital assets), are not financial resources and, therefore, are not reported in the fund financial statements.	839,369
The City reports a net pension asset on the statement of net position relating to the Firemen's Retirement System. This asset is not reported in the fund financial statements.	38,743
Various taxes related to fiscal year 2015 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.	7,274
Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2015 and payable on December 31, 2015 are deferred inflows of resources within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.	86,492
Internal service funds are used by management to charge the cost of risk management, mailroom services, health and equipment services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,617
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net position. Also, during the year, the City issued new debt and refunded some of its existing debt. Discounts, premiums, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.	
Balances as of June 30, 2015 are:	
Accrued vacation and sick leave	(50,303)
OPEB Obligation	(177,727)
Net pension liability	(324,741)
Accrued interest payable	(120,263)
Joint venture financing agreement	(33,434)
Certificates of participation	(5,195)
Obligations with component unit	(51,426)
Capital leases-rolling stock	(19,731)
Leasehold improvement and refunding revenue bonds	(435,005)
Development and TIF bonds and notes payable	(340,342)
General obligation bonds	(23,010)
Section 108 Loan Guarantee Assistance Programs	(31,370)
Other long-term debt	(6,740)
Deferred outflow of resources	33,547
Deferred inflow of resources	(21,093)
Unamortized discounts	3,523
Unamortized premiums	(10,441)
Total net position—governmental activities—statement of net position	\$ (473,865)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015  
(dollars in thousands)

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Capital projects fund	Grants fund	Other governmental funds	
Revenues:					
Taxes	\$ 363,392	23,631	—	169,570	556,593
Licenses and permits	19,938	—	—	6,805	26,743
Intergovernmental	25,130	7,987	60,792	3,775	97,684
Charges for services, net	28,880	239	—	18,103	47,222
Court fines and forfeitures	4,916	—	—	—	4,916
Investment income	209	157	4	11	381
Interfund services provided	858	—	—	—	858
Miscellaneous	7,997	1,463	—	9,774	19,234
Total revenues	451,320	33,477	60,796	208,038	753,631
Expenditures:					
Current:					
General government	47,417	—	121	18,110	65,648
Convention and tourism	126	—	—	—	126
Parks and recreation	18,554	662	676	5,277	25,169
Judicial	44,799	—	2,059	3,200	50,058
Streets	37,480	2,349	—	816	40,645
Public Safety:					
Fire	66,514	—	750	1,151	68,415
Police	151,760	—	2,981	24,388	179,129
Other	48,460	86	1,822	7,874	58,242
Health and welfare	3,355	—	33,799	16,654	53,808
Public services	31,614	2,752	14	42,954	77,334
Community development	—	—	17,403	48,096	65,499
Capital outlay	440	29,448	1,603	69	31,560
Debt service:					
Principal	23,718	20,900	1,130	19,854	65,602
Interest and fiscal charges	10,618	7,732	147	30,013	48,510
Total expenditures	484,855	63,929	62,505	218,456	829,745
Excess (deficiency) of revenues over expenditures	(33,535)	(30,452)	(1,709)	(10,418)	(76,114)
Other financing sources (uses):					
Sale of capital assets	—	1,849	—	—	1,849
Issuance of leasehold revenue bonds	21,905	9,790	—	—	31,695
Issuance of certificates of participation	5,195	—	—	—	5,195
Issuance of loan agreement	—	2,080	—	—	2,080
Issuance of development and tax increment financing notes	—	—	—	49,917	49,917
Payment to refunded escrow agent - leasehold revenue bonds	(29,497)	(8,145)	—	—	(37,642)
Payment of development and tax increment financing notes	—	—	—	(3,442)	(3,442)
Premium on bond issuances	3,097	685	—	—	3,782
Discount on development tax increment financing notes	—	—	—	(11)	(11)
Transfers in	38,954	20,304	13	2,675	61,946
Transfers out	(13,191)	(58)	(2)	(39,076)	(52,327)
Total other financing (uses) sources, net	26,463	26,505	11	10,063	63,042
Net change in fund balances	(7,072)	(3,947)	(1,698)	(355)	(13,072)
Fund balances:					
Fund balance, beginning of year	35,725	57,802	2,516	82,420	178,463
Fund balance, end of year	\$ 28,653	53,855	818	82,065	165,391

See accompanying notes to basic financial statements



City of St. Louis, Missouri  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year ended June 30, 2015  
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances	6	(13,072)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year. Details of the reported amounts are as follows:		
Capital outlay		31,560
Capital contribution		2,273
Loss on disposal of capital assets		(533)
Depreciation expense		(57,731)
		<u>(24,431)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:		
Change in revenues received after the 60-day accrual period		(5,743)
Property taxes due in the fiscal year following the fiscal year in which they were assessed		8,175
		<u>2,432</u>
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The change in position of internal service funds attributable to governmental activities is reported on the statement of activities.		
		2,134
The City reports a net pension liability/asset on the statement of net position relating to its defined benefit pension plans. This liability/asset is not reported in the fund financial statements. Fluctuations in net pension liabilities/assets are reported in the statement of activities.		
		19,461
The City reports a net other postemployment obligation on the statement of net position to the extent actual contributions to the City's other postemployment plan falls below the annual required contribution. This obligation is not reported in the fund financial statements. The fluctuation in the net pension obligation is reported in the statement of activities.		
		(28,983)
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net position.		
Debt issued during the current year:		
Development and Tax increment financing bonds and notes payable		(49,917)
Certificates of participation		(5,195)
Loan agreement with Forest Park Forever		(2,080)
Leasehold Revenue Bonds		(31,695)
Repayments during the current year:		
Payment to refunded escrow agent - leasehold revenue bonds		37,642
Payment of development and tax increment financing notes		3,442
Annual principal payments on bonds and notes payable		55,525
Annual principal payments on joint venture financing agreement		4,410
Annual principal payments on capital lease		5,012
Annual principal payments Certificates of Participation		655
Firemen's Retirement EAN note credit transaction		3,396
		<u>21,195</u>
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
This adjustment combines the net changes of the following:		
Accrued vacation and sick leave		1,538
Accrued interest payable		(11,937)
Unamortized discounts		576
Unamortized premiums		(2,696)
Deferred outflow of resources - bond refundings		(632)
		<u>(13,151)</u>
Change in net position—governmental activities—statement of activities	8	<u>(34,415)</u>

See accompanying notes to basic financial statements

City of St. Louis, Missouri  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2015  
(dollars in thousands)

	Major funds – Enterprise funds				
	Lambert – St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 38,895	216	8,115	47,226	—
Unrestricted cash and cash equivalents	36,989	15,340	18,353	70,682	4,864
Investments:					
Restricted investments	20,349	—	—	20,349	—
Unrestricted investments	58,089	11,976	—	70,065	147
Receivables, net of allowances:					
Intergovernmental	11,504	—	—	11,504	—
Charges for services	2,321	11,375	380	14,076	—
Insurance recovery	800	—	—	800	—
Passenger facility charges	3,471	—	—	3,471	—
Accrued interest	1,304	—	—	1,304	—
Other	625	—	—	625	362
Prepaid assets	—	—	—	—	740
Due from component unit	—	—	—	—	4
Due from other funds	—	—	—	—	6,181
Advance from other funds	—	—	—	—	40,917
Inventories	2,402	2,275	—	4,677	—
Other current assets	—	12	20	32	—
Total current assets	176,749	41,194	26,868	244,811	53,215
Noncurrent assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	7,389	3,283	—	10,672	—
Unrestricted cash and cash equivalents	—	1,901	—	1,901	—
Investments:					
Restricted investments	93,872	—	10,221	104,093	—
Unrestricted investments	16,538	7,202	—	23,740	—
Net pension asset	4,305	—	—	4,305	—
Capital assets:					
Property, plant, and equipment	1,745,735	294,265	84,260	2,124,260	123
Less accumulated depreciation	(895,939)	(149,043)	(33,053)	(1,078,035)	(86)
	849,796	145,222	51,207	1,046,225	37
Land, infrastructure and easements	755,052	1,238	22,903	779,193	—
Construction-in-progress	12,187	3,621	—	15,808	—
Capital assets, net	1,617,035	150,081	74,110	1,841,226	37
Intangibles and other assets, net	1,689	818	449	2,956	—
Total noncurrent assets	1,740,828	163,285	84,780	1,988,893	37
Deferred outflow of resources	18,241	1,545	4,806	24,592	—
Total assets and deferred outflow of resources	1,935,818	206,024	116,454	2,258,296	53,252
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and accrued liabilities	12,257	4,904	1,468	18,629	356
Accrued salaries and other benefits	2,024	955	259	3,238	—
Accrued vacation and compensatory time benefits	3,093	1,858	177	5,128	—
Contracts and retainage payable	7,392	—	—	7,392	—
Accrued interest payable	18,837	50	243	19,130	—
Current portion of revenue bonds	39,785	404	2,751	42,940	—
Due to other funds	4,273	3,829	1,740	9,842	—
Due to other government agencies	—	—	60	60	—
Claims payable	—	—	—	—	50,279
Unearned revenue and other deposits	2,110	1,869	1,655	5,634	—
Total current liabilities	89,771	13,869	8,333	111,993	50,635
Noncurrent liabilities:					
Revenue bonds payable, net	717,885	1,884	71,003	790,772	—
Net pension liability	17,247	9,007	1,967	28,221	—
Customer deposits	—	2,533	—	2,533	—
Other liabilities	12,636	4,515	1,006	18,157	—
Total noncurrent liabilities	747,768	17,939	73,976	839,683	—
Deferred inflow of resources	2,819	766	155	3,740	—
Total liabilities and deferred inflow of resources	840,358	32,574	82,484	955,416	50,635
<b>Net Position</b>					
Net investments in capital assets	907,291	147,793	357	1,055,441	(37)
Restricted:					
Debt service	97,428	966	18,336	116,730	—
Capital projects	3,522	—	—	3,522	—
Passenger facility charges	18,346	—	—	18,346	—
Unrestricted	68,873	24,691	15,277	108,841	2,654
Total net position	\$ 1,095,460	173,450	33,970	1,302,880	2,617

See accompanying notes to basic financial statements

City of St. Louis, Missouri  
Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
Year ended June 30, 2015  
(dollars in thousands)

	Major funds – Enterprise funds				
	Lambert – St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Aviation revenues	\$ 90,928	—	—	90,928	—
Concessions	25,662	—	—	25,662	—
Water sales	—	50,830	—	50,830	—
Lease revenue	4,722	—	—	4,722	—
Parking, net	18,936	—	15,562	34,498	—
Charges for services	—	—	—	—	40,360
Intergovernmental revenue	—	—	—	—	—
Miscellaneous	—	3,012	558	3,570	362
Total operating revenues	140,248	53,842	16,120	210,210	40,722
Operating expenses:					
Claims incurred	—	—	—	—	31,309
Premiums	—	—	—	—	1,850
Personnel services	37,492	15,582	5,265	58,339	306
Material and supplies	5,842	10,691	200	16,733	5,114
Purchased power	—	3,202	—	3,202	—
Contractual services	27,626	6,319	1,273	35,218	—
Miscellaneous	592	3,199	753	4,544	—
Depreciation	50,166	5,383	2,424	57,973	8
Interfund services used	2,489	2,020	125	4,634	—
Total operating expenses	124,207	46,396	10,040	180,643	38,587
Operating income	16,041	7,446	6,080	29,567	2,135
Nonoperating revenues (expenses):					
Intergovernmental revenue	1,277	—	—	1,277	—
Investment income (expense)	2,541	42	373	2,956	(1)
Interest and debt service expense	(36,026)	(233)	(3,811)	(40,070)	—
Passenger facility charges	24,188	—	—	24,188	—
Gain/(loss) on sale/disposal of capital assets	164	(170)	—	(6)	—
Miscellaneous, net	145	557	9	711	—
Total nonoperating revenues (expenses), net	(7,711)	196	(3,429)	(10,944)	(1)
Income before transfers, extraordinary items, and capital contributions, net	8,330	7,642	2,651	18,623	2,134
Transfers in	—	—	964	964	—
Transfers out	(6,407)	(3,115)	(1,061)	(10,583)	—
Extraordinary item - natural disaster	1,737	—	—	1,737	—
Capital contributions	23,284	343	—	23,627	—
Total transfers, extraordinary items, and capital contributions, net	18,614	(2,772)	(97)	15,745	—
Change in net position	26,944	4,870	2,554	34,368	2,134
Net position—beginning of year	1,081,888	176,283	32,637	1,290,808	483
Cumulative effect of change in accounting principle	(13,372)	(7,703)	(1,221)	(22,296)	—
Net position—beginning of year—as adjusted	1,068,516	168,580	31,416	1,268,512	483
Net position—end of year	\$ 1,095,460	173,450	33,970	1,302,880	2,617

See accompanying notes to basic financial statements.

City of St. Louis, Missouri  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2015  
(dollars in thousands)

	Major funds – Enterprise funds				
	Lambert – St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 144,657	53,792	15,821	214,270	—
Other operating cash receipts	—	—	120	120	—
Payments to suppliers of goods and services	(35,979)	(22,755)	(423)	(59,157)	(30,368)
Payments to employees	(25,312)	(16,378)	(5,451)	(47,141)	(304)
Payments for interfund services used	(4,786)	(3,833)	—	(8,619)	34,755
Net cash provided by operating activities	78,580	10,826	10,067	99,473	4,083
Cash flows from noncapital financing activities:					
Interest paid on share of bond pension liability	—	(264)	—	(264)	—
Transfers from the State of Missouri	—	—	9	9	—
Transfers from other funds	—	—	964	964	—
Transfers to other funds	(6,408)	(3,129)	(1,061)	(10,598)	—
Net cash provided by (used in) noncapital financing activities	(6,408)	(3,393)	(88)	(9,889)	—
Cash flows from capital and related financing activities:					
Cash collections from passenger facility charges	23,147	—	—	23,147	—
Receipts from federal financing assistance	14,544	—	—	14,544	—
Acquisition and construction of capital assets	(37,704)	(6,639)	(1,489)	(45,832)	—
Interest on deferred outflow of resources	—	—	334	334	—
Insurance recoveries	2,000	—	—	2,000	—
Proceeds from sale of surplus property	2,833	—	—	2,833	—
Loss on retirement of PPE	—	—	52	52	—
Proceeds from issuance of bonds	17,310	1,547	6,440	25,297	—
Principal paid on revenue bond maturities	(37,560)	(4,019)	(2,631)	(44,210)	—
Cash paid for bond refunding	(17,890)	—	—	(17,890)	—
Cash paid for interest	(37,937)	(30)	(3,779)	(41,746)	—
Other capital and financing activities	—	737	—	737	—
Net cash used in capital and related financing activities	(71,257)	(8,404)	(1,073)	(80,734)	—
Cash flows from investing activities:					
Purchase of investments	(304,141)	(21,163)	(14,055)	(339,359)	(88)
Proceeds from sales and maturities of investments	269,198	1,985	13,954	285,137	—
Interest expense on cash and investments	—	30	—	30	—
Investment income	1,543	—	358	1,901	—
Net cash provided by (used in) investing activities	(33,400)	(19,148)	257	(52,291)	(88)
Net increase (decrease) in cash and cash equivalents	(32,485)	(20,119)	9,163	(43,441)	3,995
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	66,461	34,447	15,064	115,972	869
Restricted	62,670	6,412	2,241	71,323	—
	129,131	40,859	17,305	187,295	869
End of year:					
Unrestricted	36,989	17,241	18,353	72,583	4,864
Restricted	46,284	3,499	8,115	57,898	—
	\$ 83,273	20,740	26,468	130,481	4,864
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income	\$ 16,041	7,446	6,080	29,567	2,134
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	50,166	5,383	2,424	57,973	8
Changes in assets and liabilities:					
Receivables, net	4,751	(448)	(196)	4,107	(362)
Inventories	177	(94)	—	83	—
Prepaid assets	—	—	—	—	131
Other assets, net	142	(103)	20	59	—
Accounts payable, accrued liabilities, accrued salaries, and other benefits	(2,773)	(108)	1,393	(1,488)	(109)
Claims payable	—	—	—	—	4,454
Unearned revenue and other deposits	531	9	17	557	—
Due to/from other funds	(2,187)	(1,046)	552	(2,681)	(924)
Advance to other funds	—	—	—	—	(1,249)
Customer deposits	—	733	—	733	—
Net pension liabilities	443	525	443	1,411	—
Other long term liabilities	11,289	(1,471)	(666)	9,152	—
Total adjustments	62,539	3,380	3,987	69,906	1,949
Net cash provided by operating activities	\$ 78,580	10,826	10,067	99,473	4,083
Supplemental disclosure for noncash activities:					
Unrealized (loss) gain on investments	\$ 122	170	28	320	—
Capital contributions	—	343	—	343	—

See accompanying notes to basic financial statements

City of St. Louis, Missouri  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015  
(dollars in thousands)

	Pension Trust Funds (as of September 30, 2014*)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 12,448	22,150
Cash and cash equivalents - restricted	—	2,437
Pension trust investments:		
Bonds	165,951	—
Domestic bond funds	78,424	—
Stocks	538,338	—
Limited partnerships	98,387	—
Government securities	14,418	—
Mortgage-backed securities	17,729	—
Collective investment funds	509,420	—
Real estate equities and investment trust	166,958	—
Investment property	1,204	—
Hedge funds	156,565	—
Money market mutual funds and other short-term investments	73,399	—
Partnership interests	9,074	—
Managed international equity funds	186,792	—
Total investments	2,016,659	—
Securities lending collateral	3,610	—
Receivables, net of allowances:		
Taxes	—	22,315
Contributions	238	—
Accrued interest	2,626	—
Due from Firemen's Retirement System	54	—
Other	1,702	1,741
Capital assets, net	1,181	—
Total assets	2,038,518	48,643
<b>Deferred outflows of resources</b>		
Receivable under forward foreign currency exchange contracts	678	—
Total deferred outflows of resources	678	—
Total assets and deferred outflows of resources	2,039,196	48,643
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,491	4,513
Deposits held for others	1,129	12,924
Due to Firefighter's Retirement Plan	54	—
Due to other governmental agencies	—	31,206
Securities lending collateral liability	3,610	—
Other liabilities	1,577	—
Total liabilities	8,861	48,643
<b>Net position</b>		
Net position held in trust for pension benefits	\$ 2,030,335	—

\*See note 10.

See accompanying notes to basic financial statements.

City of St. Louis, Missouri  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year ended June 30, 2015  
(dollars in thousands)

	Pension Trust Funds (as of September 30, 2014*)
Additions:	
Contributions:	
Members	\$ 7,065
Employer	79,378
Investment income:	
Interest and dividends	29,309
Net appreciation in fair value of investments	146,945
Investment income	176,254
Less investment expense	(9,300)
Net investment income	166,954
Total additions	253,397
Deductions:	
Benefits	149,085
Refunds of contributions	3,960
Administrative expense	3,397
Total deductions	156,442
Increase before transfers	96,955
Transfer in	6,883
Transfer out	(10,279)
Total transfers	(3,396)
Net increase	93,559
Net position held in trust for pension benefits:	
Beginning of year	1,936,776
End of year	\$ 2,030,335

\*See note 10.  
See accompanying notes to basic financial statements.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of St. Louis, Missouri (the City) is a constitutional charter city not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire, police, and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies:

**Reporting Entity**

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (also referred to as the Primary Government) and its component units.

**1) Blended Component Units**

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

**Public Facilities Protection Corporation (PFPC)**

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

**St. Louis Municipal Finance Corporation (SLMFC)**

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

**St. Louis Parking Commission Finance Corporation (SLPCFC)**

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

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reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

Grand Center Municipal Parking Finance Corporation (MPFC)

The MPFC was established during the year ended June 30, 2009. The MPFC is a legally separate not-for-profit public benefit corporation with the Parking Commission as the sole member of the MPFC. Because the Parking Division appoints all of MPFC's directors and is able to impose its will on the MPFC, it is considered to be a component unit of the Parking Division. The MPFC's goal is to employ innovative public parking programs, services, technology, and products to strengthen the economic vitality and competitiveness of arts and entertainment venues and supporting enterprises operating in the Grand Center area. An additional goal is to improve the coordination of public parking regulations and enforcement, along with the quality marketability, availability, and accessibility of public parking spaces in the Grand Center area.

2) Discretely Presented Component Units

The component unit columns in the statement of net position and statement of activities include the financial data of the City's two discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activities of the City. SLDC combines the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority (IDA), the Planned Industrial Expansion Authority, the Local Development Company (LDC), and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the "steam loop." The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City, and therefore, the City is able to impose its will on SWMDC.



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

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Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation  
1520 Market Street Ste 2000  
St. Louis, Missouri 63103

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations do not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, the County, and the State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, the County, and the State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

5) Pension Trust Funds

Financial information for the pension trust funds has been included within the accompanying financial statements as of September 30, 2014, which is the fiscal year end of the retirement plans, which falls within the City's current fiscal year end (also see note 10).

Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balance for all governmental funds is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (the Airport), the Water Division of the City of St. Louis (the Water Division), and the Parking Division. Each of these enterprise funds is a major fund within the fund financial statements. Additionally, the City has four internal service funds (governmental activities): PFPC, mailroom services, health and equipment services. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net position, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

*General Fund*—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Capital Projects Fund*—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
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by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

*Grants Fund*—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City's proprietary fund types:

*Enterprise*—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 costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

*Internal Service*—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, health, and equipment service. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants. The equipment service fund is used for the purchase and distribution of fuel to various city departments.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
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3) Fiduciary Fund Types

*Trust and Agency*—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis (Firemen's System), the Firefighters' Retirement Plan (Firefighter's Plan), the Police Retirement System of St. Louis (Police System), and the Employees' Retirement System of the City of St. Louis (Employees' System) pension benefits. Agency funds are accounted for using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, police and other agency operations.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and discretely presented component unit financial statements. Agency funds adhere to the accrual basis of accounting, and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental fund types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.



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The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as unearned revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used for the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred inflows of resources.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received, with the exception of refuse charges.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and the Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
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For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1 and use is first permitted the following fiscal year. The City tax rate levied in November 2014 was \$1.6063 per \$100 (in dollars) of assessed valuation of which \$1.4733 (in dollars) is for the general fund and \$0.133 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

Cash and Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

The City invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Inventories

Inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or

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more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection, and accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education
- Protected, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection.

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition, construction documents, or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible, and therefore, are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40 to 99
Improvements other than buildings	3 to 40
Equipment	3 to 20
Police Automotive Equipment	3 to 15
Infrastructure	18 to 50
Intangibles	3 to 10

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or

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other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

2) Business-type Activities Capital Assets

Capital assets for the Airport, the Water Division, the Parking Division, and the mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Pavings	5 to 30
Buildings and facilities	5 to 30
Equipment	3 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958 and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation, at the date the assets were recorded, was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of the capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	44 to 55
Pumping equipment	28 to 44
Hydrants, transmission mains and lines	50 to 100
Meters	33
Other equipment	5 to 25

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.



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5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of assets for depreciable capital assets are as follows:

	<u>Years</u>
Buildings, land improvements, and parking garages	5 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

Non-depreciable assets include land.

6) Majlroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC has maintained infrastructure asset records consistent with all other capital assets. SLDC generally capitalizes assets with costs of \$2,500 (in dollars) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally treated as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 25
Furniture, fixtures, and equipment	3 to 10

8) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

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Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position/statement of fund net position.

Pensions

In accordance with the City's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the City's contribution requirements, information about the fiduciary net position of the retirement plans, and addition to/deductions from the retirement plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued retirement plans' financial statements. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFCs are withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction and are recognized as nonoperating revenue based upon passenger enplanements. Passenger facility charges receivable as of June 30, 2015 were \$3,471. This amount was collected during July and August 2015.

Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments by the proprietary fund type, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

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Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental activities or governmental fund types.

Bond Premiums, Discounts, and Issuance Costs

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation and bond premiums are recorded as an addition to the debt obligation. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. Bond issuance costs should be recognized as an outflow of resources and expensed rather than amortized.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are included in interest expense when incurred.

Deferred Inflow/Outflow of Resources

A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period and a deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources has a negative impact on net position similar to liabilities but is required to be reported within the statement of net position in a separate section following liabilities and the total may be added to the total for liabilities. A deferred outflow of resources has a positive effect on net position similar to assets but is required to be reported in the statement of net position in a separate section following assets and the total may be added to the total for assets.

Deferred outflows/inflows of resources include 1) unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt, 2) contributions made to retirement plans after the pension liability measurement date, and 3) various other pension related amounts (see note 10).

Vacation and Sick Leave

The vacation and sick policy for all departments of the City, except the police department are as follows:

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. The entire accrued benefit liability related to the City's vacation and sick leave has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Amounts have been recorded in the governmental fund financial statements as part of accrued salaries and other benefits, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2015.

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Non-uniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balance for those employees who will be eligible to retire within five years.

The vacation and sick leave policy for the employees of the police department are as follows:

Vacation and designated holiday pay is granted to full-time employees based on years of continuous service and will be paid to employees upon resignation, retirement, or death.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and who have 85 points (years of service plus age) or reached age 65 will be paid 50% of their unused sick leave.

Effective June 30, 2011, at point of termination, all benefit payouts greater than \$3 are paid in thirds as follows: first third is paid immediately, second third is paid twelve months from first payment and the third and the final third is paid twelve months from the second payment.

Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, interfund services provided and used are not eliminated from the various functional categories. Transfers are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

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**Fund Balance Designation**

In the governmental fund financial statements the City maintains nonspendable, restricted, committed, assigned and unassigned fund balances.

Within the fund financial statements, the fund balance is reported as follows:

- **Nonspendable:** This consists of resources not in spendable form or are legally or contractually required to remain intact.
- **Restricted:** This consists of amounts that can be spent only for the specific purpose stipulated by constitution, external parties (e.g., grantors, creditors, or other governments), or enabling legislation.
- **Committed:** This consists of amounts that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit these amounts. Committed balances are classified as such as a result of the City of St. Louis Board of Aldermen taking formal action and adopting an ordinance which can only be modified or rescinded by a subsequent formal action.
- **Assigned:** This consists of amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Per City policy, assigned balances are a result of the Board of Estimate and Apportionment approval and authorization of projects or actions prior to July 1, 2015.
- **Unassigned:** This consists of residual fund balances that do not meet the criteria of nonspendable, restricted, committed, or assigned.

The City's policy is to apply expenditures to restricted resources first, then committed, then assigned, and unassigned, respectively, as applicable.

**Net Position**

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

1) **Net Investment in Capital Assets**

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition and construction of those assets.

2) **Restricted**

This consists of net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net position restricted by statutory restrictions



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represent tax and other revenue sources that are required by statute to be expended only for a specific purpose or purposes.

3) Unrestricted

This consists of net position that do not meet the definition of “restricted” or “invested in capital assets.”

Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

Individual Fund Deficit

At June 30, 2015, the Assessor’s Office nonmajor governmental fund has a deficit fund balance of \$188. This amount will be offset by future taxes.

Current Adoption of GASB Statements

Effective for the year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of this statement significantly impacted the City’s financial statements and footnote disclosures with the recognition of net pension liability, deferred outflows of resources and deferred inflows of resources.

Additionally, the requirement of this statement resulted in the restatement of beginning net position. Information regarding the City’s participation in the retirement plans is disclosed in Note 10.

During the year ended June 30, 2015, the City adopted GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which addresses an issue regarding the application of the transition provisions of GASB Statement No. 68. The statement clarifies the accounting for contributions to a defined benefit pension plan after the measurement date of a government’s beginning net pension liability. The provisions of this statement were incorporated with the implementation of GASB Statement No. 68.

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The effect of the implementation on beginning net position is as follows:

	Governmental Activities	Business-type Activities			
		Lambert - St. Louis International Airport	Water Division	Parking Division	Total
Net position July 1, 2014, as previously reported	\$ (149,928)	1,081,888	176,283	32,637	1,290,808
Restatement for pension accounting:					
Effect of:					
Net pension asset	(3,416)	3,992	—	—	3,992
Net pension liability	(304,392)	(19,820)	(9,272)	(1,558)	(306,040)
Pension related deferred outflow of resources:					
City contributions subsequent to the measurement date	18,286	2,456	1,569	337	4,362
Total restatement	(289,522)	(13,372)	(7,703)	(1,221)	(22,296)
Net position July 1, 2014, as restated	\$ (439,450)	1,068,516	168,580	31,416	1,268,512

#### Implementation of Future Accounting Standards

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement are effective for the year ending June 30, 2016. The City has not evaluated the impact of this statement.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about pensions and clarifies the application of certain provisions of Statements No. 67 and 68. The requirements of this statement are effective for the City for the year ending June 30, 2017. The City has not evaluated the impact of this statement.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental other postemployment benefit plans for making decisions and assessing accountability. The requirements of this statement are effective for the City for the year ending June 30, 2016. The City has not evaluated the impact of this statement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the City beginning with the year ending June 30, 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or

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OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. The objective of this statement is to identify the hierarchy of generally accepted accounting principles. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative GAAP. The requirements of this statement are effective for the City for the year ending June 30, 2016. The City has not evaluated the impact of this statement.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the City beginning with its year-end June 30 2017. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess the government's financial position and results of operations.



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**2. DEPOSITS AND INVESTMENTS**

**a. Primary Government**

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2015:

As the investment strategies and associated risks for the Firemen's System, the Firefighter's Plan, the Police System, and the Employees' System are substantially different than those of the remainder of the primary government, the deposit and investment disclosures for the Firemen's System, Firefighters' Plan, Police System, and Employees' System are presented separately from those of the remainder of the primary government.

	<b>Cash and Cash and Equivalents</b>	<b>Investments</b>	<b>Restricted Cash</b>	<b>Restricted Investments</b>	<b>Total</b>
Government-wide statement of net position	\$ 169,541	102,963	79,262	173,141	524,907
Fiduciary statement of fiduciary net position —agency funds	22,150	—	2,437	—	24,587
Total primary government excluding pension trust funds	191,691	102,963	81,699	173,141	549,494
Fiduciary statement of fiduciary net position —pension trust funds:					
Firemen's System	3,735	496,399	—	—	500,134
Firefighter's Plan	1,098	18,554	—	—	19,652
Police System	7,398	722,381	—	—	729,779
Employees' System	217	779,325	—	—	779,542
Total pension trust funds	12,448	2,016,659	—	—	2,029,107
Total primary government	\$ 204,139	2,119,622	81,699	173,141	2,578,601

**1) Primary Government Excluding Pension Trust Funds**

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end, as reported by the respective investment custodian.

Certificates of deposit are defined as investments for statement of net position/balance sheet/statement of fund net position classification and cash flow purposes; for custodial risk disclosure; however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash on the statement of net position /balance sheet/statement of fund net position, but as investments for custodial risk disclosure.

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As of June 30, 2015, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	\$	44,116
Federal Home Loan Mortgage Corp.		13,883
Federal Home Loan Bank		127,612
Federal Farm Credit Discount Notes		4,828
Federal Agricultural Mortgage Corp.		3,401
Farmers Mac		200
United States Treasuries		57,105
Tennessee Valley Authority		1,585
Commercial Paper		27,576
Money Market Mutual Funds		66,133
Certificates of Deposit		4,820
Other Cash Deposits		198,235
	\$	<u>549,494</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the U.S. Government or any agency or instrumentality thereof; bonds of the State, the City, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of the U.S. Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

Additionally, the City's indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated "A-1" or better by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. Government. These investments, while permitted by the indentures with the bond trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The City seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement

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shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of the bond issue.

The investments of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2015:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Federal National Mortgage Association	\$ 44,116	25,715	18,401	—	—
Federal Home Loan Mortgage Corp.	13,883	7,149	6,734	—	—
Federal Home Loan Bank	127,612	82,784	44,828	—	—
Federal Farm Credit Discount Notes	4,828	4,828	—	—	—
Federal Agricultural Mortgage Corp.	3,401	3,401	—	—	—
Farmers Mac	200	200	—	—	—
United States Treasuries*	57,105	40,571	16,534	—	—
Tennessee Valley Authority	1,585	—	1,585	—	—
Commercial Paper	27,576	27,576	—	—	—
Money Market Mutual Funds	66,133	66,133	—	—	—
	<u>\$ 346,439</u>	<u>258,357</u>	<u>88,082</u>	<u>—</u>	<u>—</u>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

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The investments of the primary government (excluding the pension trust funds) were rated as follows by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service as of June 30, 2015:

	<u>Fair Value</u>	<u>AAA</u>	<u>A-1+</u>	<u>AA+</u>	<u>A-1</u>	<u>Not Rated</u>
Federal National Mortgage Association	\$ 44,116	—	13,143	19,276	—	11,697
Federal Home Loan Mortgage Corp.	13,883	—	—	13,883	—	—
Federal Home Loan Bank	127,612	—	10,925	111,550	—	5,137
Federal Farm Credit Discount Notes	4,828	—	—	—	—	4,828
Federal Agricultural Mortgage Corp.	3,401	—	—	—	—	3,401
Farmers Mac	200	—	—	—	—	200
United States Treasuries*	57,105	—	—	—	—	57,105
Tennessee Valley Authority	1,585	—	—	1,585	—	—
Commercial Paper	27,576	—	5,522	—	22,054	—
Money Market Mutual Funds	66,133	66,133	—	—	—	—
	<u>\$ 346,439</u>	<u>66,133</u>	<u>29,590</u>	<u>146,294</u>	<u>22,054</u>	<u>82,368</u>

\*The City's investments in United States Treasuries are explicitly guaranteed by the United States government and therefore do not require a rating.

#### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the United States or an agency or instrumentality of the United States, bonds of the State or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2015, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: \$8,382 of Federal National Mortgage Association securities, \$30 of Federal Home Loan Mortgage Corporation securities, and \$29,980 Federal Home Loan Bank securities. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

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Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities and Other Cash Deposits, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2015, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	8.03%
Federal Home Loan Mortgage Corp.	2.52
Federal Home Loan Bank	23.22
Federal Farm Credit Discount Notes	0.88
Federal Agricultural Mortgage Corp.	0.62
Farmers Mac	0.04
United States Treasuries	10.39
Tennessee Valley Authority	0.29
Commercial Paper	5.02
Money Market Mutual Funds	12.03
Certificates of Deposit	0.88
Other Cash Deposits	36.08
	<u>100.00%</u>

2) Primary Government—Pension Trust Fund—Firemen's System

As of September 30, 2014, the Firemen's System had the following cash deposits and investments:

Common stock	\$	194,459
Collective investment—equity		62,465
Limited partnership units		30,844
Hedge funds—equity		48,891
Collective investment—bonds		65,571
Corporate Bonds		28,130
Real estate investment trust		58,677
Money market funds		7,362
Other cash deposits		3,735
	\$	<u>500,134</u>

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date.

The Firemen's System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firemen's System's development and continual monitoring of sound investment policies. The investment maturities, credit rating by investment, and foreign currency exposures by asset class schedules are presented to provide an illustration of the Firemen's System's current level of exposure to various risks.

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The following schedule provides a summary of the fixed income investment maturities by investment category, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2014:

	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Collective investment – bonds	\$ 65,571	5,676	20,242	30,491	9,162
Corporate bonds	28,130	759	4,214	22,232	925
	<u>\$ 93,701</u>	<u>6,435</u>	<u>24,456</u>	<u>52,723</u>	<u>10,087</u>

The Firemen's System's fixed income investments level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2014:

Credit rating level	Total	Collective investment	Corporate bonds
AAA	\$ 29,951	29,951	—
AA	5,319	5,319	—
A	11,298	11,298	—
BBB	12,389	12,302	87
BB	13,579	2,977	10,602
B	18,232	2,516	15,716
CCC	965	—	965
Not rated	1,968	1,208	760
	<u>\$ 93,701</u>	<u>65,571</u>	<u>28,130</u>

Certain collective investment funds are classified by average credit rating levels of the portfolios.

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Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen's System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Firemen's System's current level of foreign currency exposure as of September 30, 2014:

	Money market	Equities	Fixed income	Hedge fund	Real estate investment trust	Total
Australian Dollar	\$ —	2,045	—	—	—	2,045
British Pound Sterling	—	11,861	—	—	—	11,861
Canadian Dollar	—	1,029	—	—	—	1,029
Danish Krone	—	2,046	—	—	—	2,046
Euro	—	21,875	—	—	—	21,875
Hong Kong Dollar	—	1,845	—	—	—	1,845
Japanese Yen	—	4,746	—	—	—	4,746
Singapore Dollar	—	904	—	—	—	904
South Korean Won	—	808	—	—	—	808
Swedish Krona	—	770	—	—	—	770
Swiss Franc	—	6,564	—	—	—	6,564
Total foreign currency	—	54,493	—	—	—	54,493
U.S. Dollar	7,362	233,275	93,701	48,891	58,677	441,906
Total	\$ 7,362	287,768	93,701	48,891	58,677	496,399

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firemen's System's minimum credit quality rating for each issue shall be "BBB" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). Commercial paper issues must be rated at least "A1" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the investment manager is required to notify the Board and investment consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the investment manager's broad market benchmark.



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Concentration of credit risk is the risk of loss attributed to the magnitude of the Firemen's System's investment in a single issuer. The Firemen's System's policy does not allow the concentration per issuer to exceed 5% of the portfolio's market value at cost, with the exception of cash, cash equivalents, U.S. Treasury, or U.S. Agency securities. Furthermore, the investment manager may not hold more than 5% of the outstanding shares of any single issuer with exception of U.S. Treasuries or Agencies. Investment in any single fund of hedge funds shall not exceed 10% of the fund's market value. It is the Firemen's System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

<b>Asset class as a percent of total assets</b>			
<b>Asset class</b>	<b>Minimum</b>	<b>Target mix</b>	<b>Maximum</b>
Domestic equity:			
Large cap	13%	18%	23%
Small cap	3	8	13
International equities	19	24	29
Fixed Income	20	25	30
Real estate trust	10	15	20
Hedge fund	5	10	15

Long-term expected rate of return on the plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the system's target asset allocation as of September 30, 2014 are summarized in the following table:

<b>Asset class</b>	<b>Long-term expected real rate of return</b>
Domestic equity	4.3%
International equities	4.7
Fixed income	(1.3)
Real estate (REIT)	4.8
Nondirectional hedge fund of funds	2.2
Private equity (partnerships)	9.4
Money market	—

The above long-term expected real rate of returns represents best estimates of geometric rates of return for each major asset class included. These rates of return are shown net of inflation (assumed at 3%) and net of investment expenses (assumed at 0.5%).



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Liquidity risk is the risk that redemption notice periods are required and longer periods may be imposed before payment of redemption proceeds are settled for the following investments:

EnTrust Capital Diversified Fund QP, Ltd. (Hedge Fund)  
Magnitude Institutional, LLC Class A (Hedge Fund)  
The Principle U.S. Property Account (REIT)  
Select Investment Institutional Multi-Strategy Ltd. Series R 0409 Fund (Hedge Fund)

Investments that exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System at September 30, 2014 are as follows:

Aberdeen Core Plus Fixed Income Portfolio	\$	60,281
The Principal US Property Account		58,677
Acadian International Small Cap Fund		29,516
Brandes Investment Trust Emerging Markets Fund		32,949

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Borrowers shall be rated AA, A, or higher by Moody's or Standard & Poor's. Collateral consisting of cash, letter of credit, U.S. government or agency securities, or floating rate notes of U.S. issuers is received and held by a financial institution. The collateral maintained is at least 102% of loan value for domestic securities and 105% of loan value for international securities of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operation risk and counter party risk. The Firemen's System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The Firemen's System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2014, \$50,961 in loans were outstanding to borrowers. The Firemen's System earned income of \$271 for its participation in the securities lending program for the year ended September 30, 2014.

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3) Primary Government—Pension Trust Fund—Firefighter's Plan

As of September 30, 2014, the Firefighter's Plan had the following cash deposits:

Equities	\$ 6,183
Fixed income	4,194
Money market fund	8,177
Other cash deposits	1,098
	<u>\$ 19,652</u>

The Firefighter's Plan investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firefighter's Plan development and continual monitoring of sound investment policies. The Maturities and Credit Rating by Investment schedules are presented as follows to provide an illustration of the Firefighter's Plan's current level of exposure to various risks.

The following schedule provides a summary of the fixed income investment maturities by investment category, which helps demonstrate the current level of interest rate risk assumed by the Firefighter's Plan as of September 30, 2014:

Fair Value	Investment maturities (in years)			
	Less than 1	1 – 5	6 – 10	More than 10
Short-term bond ETF	\$ 4,194	—	4,194	—

The Firefighter's Plan fixed income investments current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2014:

Credit Rating Level	Total	Short-term Bond ETF
AAA	\$ 4,194	4,194

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's minimum credit quality for each issue shall be "BBB" (or its equivalent) at the time of purchase. The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). In the event of a downgrade below investment grade by any rating agency, the Investment Manager is required to notify the Firefighter's Plan and provide a plan for holding or disposition of said securities.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest

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rate changes. The effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the Investment Manager's broad market benchmark.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Firefighter Plan's investment in a single issuer. The Firefighter's Plan policy does not allow the concentration per issuer to exceed 5% of the portfolio's market value, with the exception of U.S. government obligations. Furthermore, the investment manager may not hold more than 5% of the outstanding shares of any single issuer. It is the Firefighter's Plan policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset class	Asset class as a percent of total assets		
	Minimum	Target mix	Maximum
Global all-cap equity	55%	60%	65%
Domestic short-term fixed income	35	40	45

Long-term expected rate of return on the Firefighter's Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Firefighter's Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset class	Long-term Expected Real Rate Of Return
International equity	4.7%
Fixed income	(1.3)
Money market	—

The above long-term expected real rate of returns represents best estimates of geometric rates of return for each major asset class included. These rates of return are shown net of inflation (assumed at 3%) and net of investment expenses (assumed at 0.5%).

Investments that exceed 5% or more of net assets held in trust for pension benefits for the Firefighter's Plan at September 30, 2014 are as follows:

Vanguard International Equity ETF	\$	6,183
Vanguard Short-term Bond ETF		4,194
Northern Trust Collective Government Short-term Investment Fund		8,178

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4) Primary Government—Pension Trust Fund—Police System

As of September 30, 2014, the Police System had the following cash deposits and investments:

Equities:	
Common stock	\$ 143,160
Collective investment funds	283,935
Real estate securities fund	28,428
Mortgaged-backed securities-government	2,863
Mortgaged-backed securities-non-government	14,866
Fixed income collective investment fund	97,448
Corporate bonds	47,638
Hedge funds of funds	30,342
Government securities	14,418
Short-term notes	2,500
Money market funds	46,505
Investment property	1,204
Partnership interest	9,074
Other cash deposits	7,398
	\$ 729,779

The Police System's bank deposits were fully secured or collateralized at September 30, 2014. The Police System's bank deposits and repurchase agreements were insured by the FDIC, collateralized with securities held by the Federal Reserve Bank in the Police System's name.

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date. The real estate investment fund is valued by the fund manager based on independent real estate appraisals of the fund's holdings. The hedge fund of funds are carried at the value reported by the funds custodians based upon underlying investments. Investment property is reported at estimated fair value as determined by an independent real estate appraisal of the property.

The Police System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Police System's development and continual monitoring of sound investment policies. The investment maturities, credit rating by investment, and foreign currency exposures by asset class schedules are presented below to provide an illustration of the Police System's current level of exposure to various risks.

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The following schedule provides a summary of the fixed income investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2014:

	<b>Fair Value</b>	<b>Investment maturities (in years)</b>			
		<b>Less than 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>More than 10</b>
Mortgaged-backed securities – government	\$ 2,863	—	321	39	2,503
Mortgaged-backed securities – nongovernment	14,866	—	2,438	606	11,822
Collective investment funds	97,448	25,031	19,934	37,425	15,058
Corporate bonds	47,638	3,644	27,267	16,727	—
Government Securities	14,418	1,044	8,389	4,959	26
Short-term notes	2,500	2,500	—	—	—
	<u>\$ 179,733</u>	<u>32,219</u>	<u>58,349</u>	<u>59,756</u>	<u>29,409</u>

The Police System's fixed income investments current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2014:

<b>Credit rating level</b>	<b>Total</b>	<b>Government mortgage-backed securities</b>	<b>Nongovernment mortgage-backed securities</b>	<b>Collective investment funds</b>	<b>Corporate bonds</b>	<b>Government securities</b>	<b>Short-term notes</b>
AAA	\$ 50,224	2,842	3,352	36,617	1,628	3,285	2,500
AA	34,790	—	486	16,543	7,800	9,961	—
A	79,457	—	5,562	42,637	31,258	—	—
BBB	6,431	—	—	1,651	4,780	—	—
BB	—	—	—	—	—	—	—
CCC	671	—	671	—	—	—	—
CC	—	—	—	—	—	—	—
D	289	—	289	—	—	—	—
Not Rated	7,871	21	4,506	—	2,172	1,172	—
	<u>\$ 179,733</u>	<u>2,863</u>	<u>14,866</u>	<u>97,448</u>	<u>47,638</u>	<u>14,418</u>	<u>2,500</u>

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Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2014:

	Equities	Fixed Income	Money Market	Hedge Funds of Funds	Investment Property and Partnership	Total
Australian Dollar	\$ —	518	—	—	—	518
British Pound Sterling	1,409	1,648	—	—	—	3,057
Canadian Dollar	1,940	3,195	—	—	—	5,135
Euro	1,091	2,649	—	—	—	3,740
Indian Rupee	756	—	—	—	—	756
Israeli Shekel	230	—	—	—	—	230
Japanese Yen	—	286	—	—	—	286
Swiss Franc	1,230	718	—	—	—	1,948
Total foreign currency	6,656	9,014	—	—	—	15,670
U.S. Dollar	448,867	170,719	46,505	30,342	10,278	706,711
Total	\$ 455,523	179,733	46,505	30,342	10,278	722,381

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fixed Income Portfolio must have an average rating of "A" or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than "A" may be purchased, provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total market value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the investment manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The investment manager has the responsibility of notifying the Board of Trustees through their designee whenever an issue falls below investment grade.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the respective investment manager's benchmark index.



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Concentration of credit risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. It is the Police System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

<b>Asset class as a percent of total assets</b>			
<b>Asset class</b>	<b>Minimum</b>	<b>Target mix</b>	<b>Maximum</b>
Fixed income	25%	28%	31%
Domestic Equities:			
Large Cap	17	21	25
Small Cap	4	5	6
Foreign equities:			
Non-U.S. developing markets	20	26	32
Emerging markets	4	7	10
Non-Directional Hedge Funds			
of Funds	3	4	5
Real Estate Equities	3	4	5
Private equity	—	4	8
Other	—	1	5

Long-term expected rate of return on the Police System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police System's target asset allocation as of September 30, 2014 are summarized in the following table:

<b>Asset class</b>	<b>Long-term Expected Real Rate Of Return</b>
Fixed income	(0.75)%
Domestic equity	4.85%
Foreign equity	5.25%
Non-directional hedge fund of funds	2.75%
Real estate (REIT)	5.35%
Private equity (partnerships)	9.95%
Money market	—

The above long-term expected real rate of returns represents best estimates of geometric rates of return for each major asset class included. These rates of return are shown net of inflation (assumed at 2.5%) and net of investment expenses (assumed at 0.45%).

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Liquidity risk is the risk that redemption notice periods are required and longer periods may be imposed before payment of redemption proceeds are settled for the following investments:

Bank of New York Mellon EB Global Real Estate Securities Fund  
EnTrust Capital Diversified Fund QP, Ltd.  
Falcon E&P Opportunities Fund, L.P.  
GAM US Institutional Diversity, Inc.  
NB Secondary Opportunities Fund, L.P.  
Wellington Trust Company International Opportunities Fund

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Police System are as follows:

Collective funds:

Trilogy International Group Trust I	\$	94,660
J.P. Morgan CB Emerging Market Equity Focused Fund		44,852
Wellington Trust Company International Opportunities Fund		92,812
MFB Daily S&P 500 Equity Index Fund		51,610

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U.S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. Outstanding loans to borrowers at September 30, 2014 were \$58,225. The Police System earned income of \$161 for its participation in the securities lending program for the year ended September 30, 2014.



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5) Primary Government—Pension Trust Fund—Employees' System

As of September 30, 2014, the Employees' System had the following cash deposits and investments:

Common stocks	\$ 194,537
Managed international equity funds	186,792
Managed master limited partnerships	67,543
Bonds	85,989
Domestic bond funds	78,424
Real estate funds	79,853
Temporary cash investments	8,855
Managed hedge fund of funds	77,332
Other cash deposits	217
	<u>\$ 779,542</u>

The bank balances of the Employees' System at September 30, 2014 were insured by the Federal Deposit Insurance Corporation up to \$250. The remaining balances were collateralized by securities held by the pledging financial institution's trust department in the Employees' System's name.

Investments are reported at fair market value. Securities traded on a national or international exchange funds are valued at the unit value quoted by the investee entity. Security transactions and any resulting realized gains or losses are accounted for on a completed transaction basis. Commingled funds are valued at the unit value quoted by the investee entity based on the underlying asset values. Real estate funds and other managed funds are valued based on valuations of underlying investments as reported by fund managers.

Foreign Currency Risk

The Employees' System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Employees' System's exposure to foreign currency risk is presented on the following table:

	<u>Short-term</u>	<u>Debt</u>	<u>Total</u>
British Pound	\$ 42	1,943	1,985
Australian Dollar	10	2,072	2,082
Canadian Dollar	—	790	790
Euros	8	7,797	7,805
Japanese Yen	24	3,639	3,663
Total	<u>\$ 84</u>	<u>16,241</u>	<u>16,325</u>

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Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation to the Employees' System. Below is a list of fixed income credit quality ratings:

<u>Quality rating</u>	
Aaa/U.S. Governments	\$ 81,451
Aa	9,983
A	23,770
Baa	26,196
Below Baa	23,257
Not Rated	1,045
Total	<u>\$ 165,702</u>

All temporary cash investments held by the Employees' Retirement System at September 30, 2014 were unrated.

Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of an investment. Duration is a measure of debt instrument's exposure to a change in interest rate and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instrument's full price.

<u>Investment</u>	<u>Fair value</u>	<u>Effective duration</u>
Payden and Rygel	\$ 31,665	6.36 years
Allegiant (PNC)	55,612	5.15 years
SSGA	32,970	5.60 years
Loomis	26,127	4.24 years
Vanguard	19,328	7.90 years
	<u>\$ 165,702</u>	

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities loaned, resulting in no credit risk for the system. At September 30, 2014, the term to maturity of the securities on loan is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2014, the Employees' System has lending arrangements outstanding with a market value for securities lent of \$3,462.

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Concentration of Credit Risk

At September 30, 2014, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. Government) in any one organization, that represent five percent or more of total investments to the Employees' System:

Acadian Asset Management	
Emerging Market Fund	\$ 49,577
INTECH Investment Management	
U.S. Large Cap Core Equity	78,112
LSV Asset Management	
U.S. Large Cap Value Equity	42,410
PNC Capital Advisors	
U.S. Broad Market Core Fixed Income	55,613
Principal Global Investors	
Real Estate Group Annuity Contract	79,853
Silchester International Advisors	
International Value Equity Group Trust	73,726
Walter Scott & Partners	
International Growth Equity Group Trust	39,148

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2015, all but \$58 of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2015, the market value of investments approximated the carrying value of \$757.

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**3. RECEIVABLES, NET**

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Insurance Recovery</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental activities:							
General fund	\$ 98,178	3,468	3,870	—	—	2,984	108,500
Capital projects fund	3,705	1,355	27	—	—	503	5,590
Grants fund	—	8,426	—	—	—	4	8,430
Other governmental funds	45,630	722	1,239	—	—	692	48,283
Total governmental activities	<u>\$ 147,513</u>	<u>13,971</u>	<u>5,136</u>	<u>—</u>	<u>—</u>	<u>4,183</u>	<u>170,803</u>
Business-type activities:							
Airport	\$ —	11,504	2,321	—	800	4,775	19,400
Water Division	—	—	11,375	—	—	—	11,375
Parking Division	—	—	380	—	—	—	380
Total business-type activities	<u>\$ —</u>	<u>11,504</u>	<u>14,076</u>	<u>—</u>	<u>800</u>	<u>4,775</u>	<u>31,155</u>

All amounts are scheduled for collection during the subsequent fiscal year.

**4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net position and fund financial statements, consists of the following balances:

Governmental activities:	
Taxes receivable—general fund	\$ 729
Taxes receivable—other governmental funds	119
License and permits receivable—general fund	25
Charges for services receivable—general fund	2,108
Charges for services receivable—other governmental funds	214
Business-type activities:	
Charges for services receivable—Airport	20
Charges for services receivable—Water Division	3,367
	<u>\$ 6,582</u>

**5. COMPONENT UNIT—SLDC RECEIVABLES**

SLDC notes and loans receivable consist principally of small business loans made to facilitate business growth. The commercial loans are primarily financed utilizing funds provided by the Community Development Administration (CDA) of the City, Economic Development Administration, Environmental Protection Agency, and the State. The proceeds from any repayment of these loans are generally payable back to the funding source or re-loaned in accordance with the lending program. Grantor funds received for these lending programs are recorded as a liability.

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6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with bond provisions, are as follows at June 30, 2015:

Airport bond fund:	
Debt service account	\$ 59,244
Debt service reserve account	36,880
Airport renewal and replacement fund	3,500
Passenger facility charge fund	14,874
Airport debt service stabilization fund	38,211
Airport construction fund	5,748
Drug enforcement agency funds	2,048
	<u>\$ 160,505</u>

Bond provisions require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority, and as applicable:

- 1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) *Airport Bond Fund*: for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to pay fully all outstanding bonds.
- 4) *Arbitrage Rebate Fund*: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.
- 5) *Subordinated Indebtedness*: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.
- 6) *Airport Renewal and Replacement Fund*: an amount equal to \$57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be

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increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

- 7) *A sub-account in the Airport Revenue Fund:* an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- 8) *Airport Debt Service Stabilization Fund and the Airport Development Fund:* various amounts for fiscal years 2006 through 2011, achieved a balance of \$38,211 at the end of fiscal year 2011. Beginning in fiscal year 2012, the Airport will allocate an amount sufficient to bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).
- 9) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

Bond provisions provide that, in the event the sums on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. Bond provisions also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in the related bond provisions and City ordinances.

Passenger Facility Charge Fund and Drug Enforcement Agency Funds are restricted in accordance with program agreements.

b. Water Division

Cash restricted in accordance with bond provisions and City ordinances at June 30, 2015 is as follows:

Bond funds:	
Waterworks bond fund	\$ 216
Water replacement and improvement account	750
Total bond funds	966
Customer deposits	2,533
Total restricted cash	\$ 3,499



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Bond fund provisions require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

Series 2011 Water Revenue Refunding Bond Funds

1. To the unrestricted *Waterworks Operations and Maintenance Fund*, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
2. To the *Waterworks Bond Fund*, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account shall be used only for the payment of bond principal and interest, as the same shall become due.
3. To the *Water Revenue Debt Service Reserve Account*, a sum equal to the Debt Service Reserve Fund Requirement or a debt service reserve fund policy or a surety bond shall be provided by a Bond Insurer in such amount or a letter of credit shall be provided by a bank acceptable to the City in such amount. All amounts paid and credited to this account shall be used solely to prevent any default in the payment of the principal of and interest on the Bonds.
4. To the *Water Replacement and Improvement Fund*, an amount equal to \$25 per month until the account balance aggregates \$750. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.
5. The remaining balance in the *Waterworks Revenue Fund* is deposited into the unrestricted Water Contingent Fund. This money shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

Series 2013 Water Revenue Bond Funds

To the *Waterworks Bond Fund*, an amount at least equal to the calculated  $\frac{1}{4}$  amount of interest that will come due on the next interest payment date, plus an amount at least equal to  $\frac{1}{4}$  of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account shall be used only for the payment of bond principal and interest, as the same shall become due.

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c. Parking Division

Cash and investments restricted in accordance with bond indentures at June 30, 2015 are as follows:

Series 2015A bonds:	
Debt service reserve	\$ 514
Debt service	51
Series 2015A project account	5,344
Total series 2015A bonds	<u>5,909</u>
Series 2013A bonds:	
Debt service reserve	126
Total series 2013A bonds	<u>126</u>
Series 2007 and 2006 bonds:	
Debt service reserve	4,943
Debt service	1,397
Repair and replacement	3,456
Net project revenues	120
Parking trust—Parking Division accounts	1,888
Total series 2007 and 2006 bonds	<u>11,804</u>
Series 2003A and 2003B bonds:	
Gross revenues	156
Bond	149
Repair and replacement	31
Operating reserve	100
Redemption	61
Total series 2003A and 2003B bonds	<u>497</u>
Total restricted cash and investments	<u>\$ 18,336</u>

Descriptions of the funds required by the Series 2015A Subordinated Bond Indentures are as follows:

- 1) *Debt service reserve* – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) *Debt service* – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 3) *Series 2015A project account* – Maintains funds used to fund the debt service account.

Descriptions of the funds required by the Series 2013A Subordinated Bond Indentures are as follows:

- 1) *Debt service account* – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) *Series 2013A project account* – Maintains funds used to fund the debt service account.



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Descriptions of the funds required by the Series 2007 and 2006 Bond Indentures are as follows:

- 1) *Debt service reserve* – Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) *Debt service* – Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.
- 3) *Net project revenues* – Maintains funds used to fund the debt service account.
- 4) *Argyle TIF revenues* – Argyle TIF revenues are used for the payment of debt service on the Series 2006 Bonds.
- 5) *Parking trust* – Parking Division accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.
- 6) *Repair and replacement* – Provides for the repair and upkeep of parking garages.

Descriptions of the funds required by the Series 2003A and 2003B Bond Indenture are as follows:

- 1) *Gross revenues* – Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage.
- 2) *Bond* – Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B bonds.
- 3) *Repair and replacement* – Provides for the repair and upkeep of the Cupples Garage.
- 4) *Operating reserve* – Maintains operating reserve as required by the Bond Indenture.
- 5) *Redemption* – Maintains funds set aside for the future redemption of the Series 2003A and 2003B bonds.

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**7. CAPITAL ASSETS**

**a. Primary Government**

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2015:

	June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 80,245	218	(81)	—	80,382
Construction in progress	28,854	8,390	—	(27,592)	9,652
Equipment in progress	816	—	—	—	816
Works of art	3,467	91	—	—	3,558
Intangibles	1,044	249	—	(140)	1,153
Total capital assets not being depreciated	114,426	8,948	(81)	(27,732)	95,561
Capital assets being depreciated:					
Buildings	634,492	6,191	(1,408)	12,073	651,348
Improvements other than buildings	89,497	2,760	—	1,794	94,051
Equipment	164,050	8,919	(2,972)	1,682	171,679
Infrastructure	643,015	6,968	—	12,043	662,026
Intangibles	1,744	47	—	140	1,931
Total capital assets being depreciated	1,532,798	24,885	(4,380)	27,732	1,581,035
Less accumulated depreciation for:					
Buildings	231,646	16,097	(1,043)	—	246,700
Improvements other than buildings	32,797	2,036	—	—	34,833
Equipment	104,531	9,576	(2,885)	—	111,222
Infrastructure	413,831	29,696	—	—	443,527
Intangibles	582	326	—	—	908
Total accumulated depreciation	783,387	57,731	(3,928)	—	837,190
Total capital assets being depreciated, net	749,411	(32,846)	(452)	27,732	743,845
Governmental activities capital assets, net	\$ 863,837	(23,898)	(533)	—	839,406

Construction in progress consists primarily of convention center renovations and street and bridge projects. Equipment in progress consists of communication equipment being prepared for its intended use.

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The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2015. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
<b>Business-type activities:</b>					
Combined:					
Capital assets not being depreciated:					
Land	\$ 775,747	—	(60)	—	775,687
Construction-in-progress	64,049	35,437	(712)	(82,966)	15,808
Infrastructure	6	—	(6)	—	—
Intangibles	3,506	—	—	—	3,506
Total capital assets not being depreciated	843,308	35,437	(778)	(82,966)	795,001
Capital assets being depreciated:					
Buildings and structures	691,101	25	—	69,850	760,976
Equipment	100,332	3,710	(1,091)	243	103,194
Pavings	1,007,445	—	—	10,226	1,017,671
Parking meters and lot equipment	7,519	1,446	(740)	—	8,225
Reservoirs	34,513	—	—	659	35,172
Boiler plant equipment	661	—	—	—	661
Pumping equipment	10,923	—	—	—	10,923
Purification basins and equipment	43,679	9	—	65	43,753
Water mains, lines, and accessories	130,147	3,435	(923)	1,803	134,462
Motor vehicle equipment	9,046	717	(639)	100	9,224
Total capital assets being depreciated	2,035,366	9,342	(3,393)	82,946	2,124,261
Less accumulated depreciation for:					
Buildings and structures	404,092	18,634	—	—	422,726
Equipment	72,562	4,435	(1,072)	—	75,925
Pavings	435,135	30,698	—	—	465,833
Parking meters and lot equipment	6,765	266	(693)	—	6,338
Reservoirs	11,964	665	—	—	12,629
Boiler plant equipment	644	3	—	—	647
Pumping equipment	9,183	233	—	—	9,416
Purification basins and equipment	17,468	929	—	—	18,397
Water mains, lines, and accessories	59,429	1,675	(786)	—	60,318
Motor vehicle equipment	5,978	435	(607)	—	5,806
Total accumulated depreciation	1,023,220	57,973	(3,158)	—	1,078,035
Total capital assets being depreciated, net	1,012,146	(48,631)	(235)	82,946	1,046,226
Business-type activities capital assets, net	\$ 1,855,454	(13,194)	(1,013)	(20)	1,841,227

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Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed, and various improvements to the waterworks system.

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

**Governmental activities:**

General government	\$ 6,145
Convention and tourism	5,649
Parks and recreation	5,264
Judicial	313
Streets	32,788
Public safety:	
Fire	2,159
Police	3,936
Other	642
Health and welfare	315
Public service	520
Total depreciation expense, governmental activities	<u>\$ 57,731</u>

**Business-type activities:**

Airport	\$ 50,166
Water Division	5,383
Parking Division	2,424
Total depreciation expense, business-type activities	<u>\$ 57,973</u>

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b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the period ended June 30, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Construction in Progress	—	369	—	369
Total capital assets not being depreciated	4,914	369	—	5,283
Capital assets being depreciated:				
Leasehold improvements	22,755	—	—	22,755
Equipment	713	—	—	713
Parking facilities	19,716	552	—	20,268
Total capital assets being depreciated	43,184	552	—	43,736
Less accumulated depreciation for:				
Leasehold improvements	3,200	700	—	3,900
Equipment	696	16	—	712
Parking facilities	13,736	375	—	14,111
Total accumulated depreciation	17,632	1,091	—	18,723
Total capital assets being depreciated, net	25,552	(539)	—	25,013
SLDC capital assets, net	\$ 30,466	(170)	—	30,296

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c. Component Unit—SWMDC

The following represents a summary in SWMDC's capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2014
Capital assets being depreciated:				
Infrastructure	\$ 12,083	699	—	12,782
Total capital assets being depreciated	12,083	699	—	12,782
Less accumulated depreciation for:				
Infrastructure	5,242	411	—	5,653
Total accumulated depreciation	5,242	411	—	5,653
SWMDC capital assets, net	\$ 6,841	288	—	7,129

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. A reserve for impairment in the amount of \$8,787 has been established on these properties.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and retainage payable	Total
<b>Governmental activities:</b>			
General fund	\$ 5,452	—	5,452
Capital projects fund	2,850	481	3,331
Grants fund	6,562	—	6,562
Other governmental funds	1,674	1	1,675
Internal service	356	—	356
Total governmental activities	\$ 16,894	482	17,376
<b>Business-type activities:</b>			
Airport	\$ 12,257	7,392	19,649
Water Division	4,904	—	4,904
Parking Division	1,468	—	1,468
Total business-type activities	\$ 18,629	7,392	26,021

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**10. RETIREMENT PLANS**

The City contributes to the following defined benefit retirement plans: The Firemen's System, the Firefighter's Plan and the Police System, which are single –employer plans. The Employees' System is a cost-sharing multiple-employer plan.

Effective February 1, 2013, the City passed Ordinances #69149 and #69245 (amended by #69353) and Judge Dierker's ruling (Board Bill 109) replaced the Firemen's System with a new retirement system, the Firefighter's Plan. All other employees are covered by the Employees' System, a cost-sharing, multiple-employer, public defined benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants.

Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information taken directly from the financial statements, that were audited by other auditors and whose reports have been furnished to us, for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System fiscal year-end</u>
Firemen's	September 30, 2014
Firefighters'	September 30, 2014
Police	September 30, 2014
Employees'	September 30, 2014

a. Firemen's Retirement System of St. Louis (Firemen's System or FRS)

1) System Description (FRS)

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 S. Broadway; St. Louis, Missouri, 63104.

The following disclosures are based on the September 30, 2014 financial statements and the October 1, 2014 actuarial valuation. The valuation as of October 1, 2014, reflects the changes attributable to Ordinance #69245 and #69353, and Judge Dierker's subsequent ruling (Board Bill 109). Key changes to the Firemen's System is as follows:

- Firemen's System is frozen as of February 1, 2013. That is, benefits paid from Firemen's System will be based on the member's service and salary earned as of February 1, 2013. Participants with benefit service in Firemen's System are classified as "grandfathered" members.
- Firefighters hired after February 1, 2013, are not members of Firemen's System.
- Vesting and eligibility service earned after February 1, 2013, in the newly established Firefighter's Plan will count towards vesting and eligibility service in Firemen's System.



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- Ancillary benefits, for disability or death occurring after February 1, 2013, are assumed to be paid from the newly established Firefighter's Plan to the extent that benefits do not depend on service earned prior to February 1, 2013.
- Employer contributions to the frozen Firemen's System will continue to be calculated under the Frozen Initial Liability cost method.
- Member contributions after February 1, 2013, from "grandfathered" participants in Firemen's System will be paid to the Firefighter's Plan.
- Grandfathered members with 20 or more years of service as of February 1, 2013, are eligible to retire with unreduced Firefighter's Plan benefits if retirement commences before age 55.
- Grandfathered members with less than 20 years of service as of February 1, 2013, are eligible to retire with actuarially reduced Firefighter's Plan benefits if retirement commences before age 55.

As a result of Board Bill 109, the following assumptions were made:

- Since benefits paid under Firemen's System will no longer depend on future salary increases, future salary increase assumptions have been eliminated in the projection of pay and valuation of benefits. Costs will continue to be spread over the present value of future salary which includes future salary increases.
- It is assumed that grandfathered members with less than 20 years of service as of February 1, 2013 will not retire prior to age 55. The retirement rates were adjusted to reflect accelerated retirement when these members first become eligible at age 55.
- It was assumed the Firemen's System frozen benefit relating to service and pay as of February 1, 2013, will be used to offset post-retirement survivor benefits paid under Firefighter's Plan.
- The overall rates of disability were not changed, but the proportion of ordinary accidental disabilities was changed from 20 percent ordinary and 80 percent accidental to 60 percent ordinary and 40 percent accidental.

Plan liabilities for Firemen's System after Board Bill 109 are predominantly for retired members and their beneficiaries. That is, the proportion of retired liabilities to total plan liabilities is projected to be over 80 percent within 10 years.

An agreement between the City and Firemen's System was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to Firemen's System from February 1, 2013, to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess Firefighter's Plan City contributions were transferred from Firemen's System to Firefighter's Plan in the amount of \$6,883 equal to the Firefighter's Plan City required contribution for the period February 1, 2013, to September 30, 2013 and a portion of the excess Firemen's System City contribution was credited towards the Firemen's System Entry Age Normal Agreement (Fireman's Retirement EAN Note) with the City in the amount of \$3,396.

The Firemen's System, in accordance with Ordinance #62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan



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(DROP). The DROP plan is available to members of the system who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP plan, the member will not receive credit for employer contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

The Fireman's System membership consisted of the following as of September 30, 2014:

Retirees and beneficiaries currently receiving benefits	985
Current members:	
Vested – DROP	64
Vested – Non-DROP	161
Nonvested	349
Total current members	574
Total membership	1,559

2) Funding Policy (FRS)

Firefighters contributed 8% of their salary to the Firemen's System, as mandated per State statute and adopted by City ordinance through February 1, 2013 (date frozen). The City is required to contribute the remaining amounts necessary to fund the Firemen's System.

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3) Net Pension Liability (FRS)

The City's net pension liability as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

	<b>Total pension liability (TPL) (a)</b>	<b>Fiduciary net Position (FNP) (b)</b>	<b>Net pension liability (asset) (NPL) (a)-(b)</b>
Balances at July 1, 2014	\$ 452,299	492,222	(39,923)
Changes for the year:			
Service cost	—	—	—
Interest	34,450	—	34,450
Refunds of member contributions	(1,205)	(1,205)	—
Benefit payments	(34,002)	(34,002)	—
Contributions – employer	—	1,008	(1,008)
Net investment income	—	48,270	(48,270)
Transfer out due to settlement agreement	—	(10,279)	10,279
Administrative expenses	—	(1,424)	1,424
Net changes	(757)	2,368	(3,125)
Balances at June 30, 2015	\$ 451,542	494,590	(43,048)

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Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2014
Actuarial cost method	30-year closed period from establishment
GASB 67 reporting	Entry Age Normal
Funding	Entry Age - frozen initial liability
Remaining amortization period	None - No unfunded actuarial liability
Asset valuation method	3-year smoothed average of market value
Inflation	3.00%
Investment rate of return	7.625%, net of investment and administrative expenses
	7.925%, gross of administrative expenses
Projected salary increases	Benefits frozen as of February 1, 2013; therefore no salary increases have been assumed
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation pursuant to an experience study of the October 1, 2005, through September 30, 2010. The rates were adjusted slightly for members with less than 20 years of service as of February 1, 2013, due to the freezing of FRS benefits and the implementation of FRP.
Mortality	RP2000 mortality table, sex distinct, with rates projected to 2015

The long-term expected rate of return on the Firemen's System investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of October 1, 2014, these best estimates are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Fixed income	25%	(1.30)%
Domestic equity	26	4.30
International equity	24	4.70
Private equity	—	9.40
Real estate	15	4.80
Nondirectional hedge fund of funds	10	2.20
Total	100%	

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The discount rate used to measure the total pension liability (asset) was 7.93%. The projection of cash flows used to determine the discount rate assumed that the City contribution rate and that contributions will be made at rates equal to the difference between would make the required contributions as defined by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). For the October 1, 2014 actuarial valuation, a 7.93% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the City is as follows:

	<u>Discount rate</u>	<u>Net pension liability (asset)</u>
1% decrease	6.93%	\$ 665
Current rate	7.93	(43,048)
1% increase	8.93	(79,934)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Firemen's System financial report.

4) Pension Expense (FRS)

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$6,747. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the City's fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$ —
Interest	34,450
Administrative expenses	1,424
Projected earnings on pension plan investments	(37,190)
Other changes – transfer due to settlement agreement	10,279
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	<u>(2,216)</u>
Pension expense for year ended June 30, 2015	<u>\$ 6,747</u>

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5) Deferred Outflows/Inflows of Resources Related to Pension (FRS)

In accordance with GASB Statements No. 67 and 68, the City recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	8,864
Total	\$ —	8,864

The City recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of Firemen's System employees. The following table summarizes the future recognition of these items:

<u>Year ended June 30</u>	<u>Recognition</u>
2016	\$ 2,216
2017	2,216
2018	2,216
2019	2,216
	<u>\$ 8,864</u>

b. Firefighters' Retirement Plan (Firefighter's Plan or FRP)

(1) System Description (FRP)

The Firefighter's Plan administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis firemen.

The Firefighter's Plan issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Firefighters' Retirement Plan of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

Effective February 1, 2013, benefit accruals under the Firemen's System were frozen. The Firefighter's Plan was established as of that date to provide retirement, disability and death benefits for service rendered after the effective date. Credited service accrued under the Firemen's System counts toward benefit accruals under the Firefighter's Plan, but benefits attributable to such services

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are offset by the benefits payable by the Firemen's System. Under the Firefighter's Plan, the plan provisions for members who were active as of February 1, 2013 (Grandfathered Participants) are substantially the same as the plan provisions for the Firemen's System.

The Firefighter's Plan provides retirement benefits as well as death and disability benefits. Grandfathered members are those who were employed prior to February 1, 2013. Members can voluntarily retire after a minimum of 20 years of service and upon reaching the normal retirement age of 55. A member who has 20 years of service but has not yet reached the age of 55 may elect an early retirement with the normal retirement benefit deferred until reaching the age of 55. In lieu of a deferred retirement benefit, the member may elect to receive his/her retirement benefit beginning on his/her early retirement date or on the first day of any month thereafter prior to reaching age 55 with such benefit actuarially reduced from age 55. A member hired on or after the effective date of February 1, 2013 who terminates employment after completing 10 years of service, but before completing 20 years of service, is eligible for a full unreduced pension beginning at age 62. Such a member may elect to receive a refund of his/her contributions, plus interest, in lieu of a pension benefit.

The monthly allowance is determined by the average final monthly compensation over the last 5 years of service. For grandfathered members, the average is over the last 2 years of service. The monthly allowance consists of 40% of the applicable final average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before September 20, 2010 may increase the maximum pension beyond this limitation.

A grandfathered member with 20 or more years of credited service may elect to enter the DROP program and defer retirement for up to five years while continuing active employment. The benefit payments the participant would have received during that period are deposited into the DROP account and earn interest at a rate equal to the percentage rate of return of the Trust Fund's investment portfolio for that year. After five years or termination from the DROP plan, the participant may retire or return to regular active service. Upon termination of employment, the participant can choose to receive the DROP account with interest earned. If the participant dies prior to termination of employment, the DROP account is paid as a lump sum to the participant's beneficiary or estate. Active service while in the DROP program is not included in the credited service used to calculate the participant's final benefit amount.

Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the member, and the member's contributions will be reduced to 1% from the normal contribution percentage. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement the funds in the member's DROP account plus: 1) interest and 2) accrued sick leave if elected is available to the member in a lump sum or in installments.



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The Firefighter's Plan membership consisted of the following as of September 30, 2014:

Retirees and beneficiaries currently receiving benefits	22
Current active members:	
Vested – Non-DROP	378
Vested – participating DROP	62
Nonvested	186
Total current active members	626
Total membership	648

2) Funding Policy (FRP)

A grandfathered member with at least 20 years of service as of February 1, 2013, contribute 8% of their salary, after-tax. All other members contribute 9% of their salary, pre-tax. The City is required to contribute the remaining amounts necessary to fund Firefighter's Plan. All members who terminate employment before becoming eligible to receive a retirement benefit will receive a refund of all contributions plus interest. Members hired after February 1, 2013 who terminate employment before reaching age 55 and elect a refund of contributions in lieu of a pension benefit will also receive a refund of their contributions plus interest, as will grandfathered members who terminate employment before completing 20 years of service. Contributions to the Firefighter's Plan made on or after the inception of the Firefighter's Plan are not refundable to a member who receives a service retirement benefit, ordinary disability benefit, or a service connected disability benefit; except that contributions to the Firefighter's Plan by a grandfathered member with at least 20 years of service as of inception who receives a service retirement benefit are refundable without interest.

An agreement between the City and the Firemen's System was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to the Firemen's System from February 1, 2013, to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess Firemen's System City contributions were transferred from the Firemen's System to the Firefighter's Plan in the amount of \$6,883 equal to the Firefighter's Plan City required contribution for the period February 1, 2013, to September 30, 2013 and a portion of the excess Firemen's System City contribution was credited towards the Firemen's System Entry Age Normal Agreement (Fireman's Retirement EAN Note) with the City in the amount of \$3,396.

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3) Net Pension Liability (FRP)

The City's net pension liability for Firefighter's Plan as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

	<b>Total pension liability (TPL)</b>	<b>Fiduciary net Position (FNP)</b>	<b>Net pension liability (NPL)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
Balances at July 1, 2014	\$ 47,262	1,653	45,609
Changes for the year:			
Service cost	6,411	—	6,411
Interest	4,088	—	4,088
Difference between expected and actual experience	(5,360)	—	(5,360)
Benefit payments	(48)	(48)	—
Refunds of member contributions	(85)	(85)	—
Contributions – employer	—	15,825	(15,825)
Contributions – employee	—	2,813	(2,813)
Net investment income	—	(92)	92
Administrative expenses	—	(207)	207
Net changes	5,006	18,206	(13,200)
Balances at June 30, 2015	\$ 52,268	19,859	32,409

The following were some of the significant actuarial assumptions used in the valuation of the Firefighter's Plan:

Date of actuarial valuation	October 1, 2013
Actuarial cost method	30-year closed period from establishment
GASB 67 reporting	Entry Age Normal Cost Method
Funding	Entry Age Normal
Remaining amortization period	Started February 1, 2013
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	7.625%, net of investment and administrative expenses
Projected salary increases	Varies based on employee's years of service
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015



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The long-term expected rate of return on the Firefighter's Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2014, these best estimates are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Fixed income	40%	(1.30)%
International equity	60	4.70
Total	100%	

The discount rate used to measure the total pension liability was 7.63%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2014 actuarial valuation, a 7.63% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the City is as follows:

	<b>Discount rate</b>	<b>Net pension liability</b>
1% decrease	6.63%	\$ 39,013
Current rate	7.63	32,409
1% increase	8.63	26,598

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Firefighter's Plan financial report.

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4) Pension Expense (FRP)

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$7,066. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the City's fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$	6,411
Interest		4,088
Administrative expenses		207
Contributions – employee		(2,813)
Projected earnings on pension plan investments		(219)
Recognized portion of current-period difference between expected and actual experience		(670)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments		62
Pension expense for year ended June 30, 2015	\$	<u>7,066</u>

5) Deferred Outflows/Inflows of Resources Related to Pension (FRP)

In accordance with GASB Statements No. 67 and 68, the City recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 249	—
Differences between expected and actual experience	—	4,690
Total	\$ <u>249</u>	<u>4,690</u>

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The City recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Firefighters' Plan employees. The following table summarizes the future recognition of these items:

<u>Year ended June 30</u>	<u>Recognition</u>
2016	\$ (608)
2017	(608)
2018	(608)
2019	(608)
2020	(670)
Thereafter	(1,339)
	<u>\$ (4,441)</u>

c. Police Retirement System of St. Louis (Police System or PRS)

1) System Description (PRS)

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

The Police System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation for the first 20 years of services, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. Such benefits are established by the State statute.

The Police System implemented a DROP feature during the Police System's fiscal year ended September 30, 1996. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years, at which point the member may reenter the Police System. At retirement, the funds in the member's DROP account plus interest are available to the member in a lump sum or in installments.

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The Police System membership consisted of the following as of September 30, 2014:

Retirees and beneficiaries currently receiving benefits	1,883
Current active members:	
Vested – in DROP	185
Vested – not in DROP	164
Total vested	349
Nonvested	932
Total current active members	1,281
Total members	3,164

2) Funding Policy (PRS)

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

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3) Net Pension Liability (PRS)

The City's net pension liability for Police System as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

	<b>Total pension liability (TPL) (a)</b>	<b>Fiduciary net Position (FNP) (b)</b>	<b>Net pension liability (NPL) (a)-(b)</b>
Balances at July 1, 2014	\$ 895,331	706,277	189,054
Changes for the year:			
Service cost	12,992	—	12,992
Interest	65,906	—	65,906
Difference between expected and actual experience	—	—	—
Change in assumption	6,650	—	6,650
Benefit payments	(60,973)	—	(60,973)
Contributions – employer	—	32,325	(32,325)
Contributions – employee	—	4,438	(4,438)
Net investment income	—	48,095	(48,095)
Benefit payments	—	(60,973)	60,973
Administrative expenses	—	(1,096)	1,096
Net changes	24,575	22,789	1,786
Balances at June 30, 2015	\$ 919,906	729,066	190,840

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2013
Actuarial cost method	Entry Age Normal
GASB 67 reporting	Aggregate, reduced by employee contributions
Funding	None - aggregate is funded over the future working lifetime of current participants
Amortization method/period	5-year smoothed average of market value
Asset valuation method	2.5%
Inflation	7.75%, net of 0.15% administrative expenses
Investment rate of return	3.0% – 6.5%, varying by age
Projected salary increases	2.5% maximum per year, cumulative 30% cap
Projected postretirement benefit increases	RP-2000 Blue Collar Combined projected to 2018
Mortality (Ordinary)	0.03% per year for all ages in addition to ordinary mortality
Mortality (Accidental)	RP-2000 Disabled Retiree Mortality projected to 2018
Mortality (Disabled)	

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The long-term expected rate of return on the Police System investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of October 1, 2014, these best estimates are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Fixed income	28%	(0.75)%
Domestic equity	26	4.85
Foreign equity	33	5.25
Non-directional hedge fund of funds	4	2.75
Real estate (REIT)	4	5.35
Private equity (partnerships)	4	9.95
Money market	1	—
Total	100%	

The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected plan net position (PNP) using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected PNP is not sufficient to cover projected benefit payments, a blended discount rate is required using both the weighted average of the long-term rate of return and the high grade bond muni-bond rate for periods after the PNP is exhausted. The plan currently uses the long-term discount rate of 7.75% and expects assets will be sufficient to cover PNP until 2057. The muni-bond rate used in the valuation was 4.11% and is based on the Bond Buyers General Obligation 20 Year High Grade Rate Municipal Bond Index (AA/Aa or higher). Since the PNP was projected to be insufficient to make all projected benefit payments of current plan members, a blended discount rate of 7.48% was used to calculate the plan's present value of future benefit payments. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the City is as follows:

	<b>Discount rate</b>	<b>Net pension liability</b>
1% decrease	6.48%	\$ 282,418
Current rate	7.48	190,841
1% increase	8.48	113,881

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Police System financial report.

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4) Pension Expense (PRS)

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$24,302. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$ 12,992
Interest	65,906
Administrative expenses	1,096
Contributions – employee	(4,438)
Projected earnings on pension plan investments	(54,815)
Recognized assumption changes	2,217
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	1,344
Pension expense for year ended June 30, 2015	<u>\$ 24,302</u>

5) Deferred Outflows/Inflows of Resources Related to Pension (PRS)

In accordance with GASB Statements No. 67 and 68, the City recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 5,376	—
Change in assumptions	4,434	—
Total	<u>\$ 9,810</u>	<u>—</u>



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The City recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Police System's employees. The following table summarizes the future recognition of these items:

<u>Year ended June 30</u>	<u>Recognition</u>
2016	\$ 3,561
2017	3,561
2018	1,344
2019	1,344
	<u>\$ 9,810</u>

d. Employees Retirement System of the City of St. Louis (Employees System or ERS)

1) System Description (ERS)

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted accordingly to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S.



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Treasury Bond yield as of September 30, for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy (ERS)

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. Deductions from plan assets are financed from plan additions. The Board of Trustees established the required employer contributions rate based on active member payroll of 15.17% effective July 1, 2014, and 15.56% of active member payroll effective July 1, 2013.

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

The City's contributions to Employees System for the year ended June 30, 2015 were \$30,331.

3) Net Pension Liability (ERS)

The City reported liability of \$129,712 for its proportionate share of the net pension liability as of June 30, 2015. The net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the Employee's System relative to the contributions of all Employees' System participating employers. At September 30, 2014, the City's collective proportion was 83.90 percent, which was an increase of 0.73 from its proportion measured as of September 30, 2013.

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2013
Actuarial cost method	Entry Age
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.125%
Discount rate	8.00%
Projected salary increases	varies by age, ranging from 3.50% to 7.017%
Mortality	1994 Group Annuity Mortality Table

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The long-term expected rate of return on the Employees System investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was 8.09%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2014 actuarial valuation, an 8.09% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the City is as follows:

	<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease	7.09%	\$ 208,197
Current rate	8.09	129,712
1% increase	9.09	62,547

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees System financial report.

4) Pension Expense (ERS)

For the fiscal year ended June 30, 2015, the City recognized pension expense of \$14,398. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period.

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5) Deferred Outflows/Inflows of Resources Related to Pension (ERS)

In accordance with GASB Statements No. 67 and 68, the City recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ —	2,306
Net difference between projected and actual earnings on pension plan investments	—	7,904
Changes in proportion	70	1,068
Contributions subsequent to the measurement date	21,912	—
Total	\$ 21,982	11,278

The \$21,912 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The City recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Employee System's employees. The following table summarizes the future recognition of these items:

<b>Year ended June 30</b>	<b>Recognition</b>
2016	\$ 3,077
2017	3,077
2018	3,077
2019	1,977
	\$ 11,208

e. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) became effective January 1, 1989. Required year-ended June 30, 2015 contributions of \$266, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2015, SLDC's current covered payroll was \$2,957 and total payroll amounted to \$3,617. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5-½% of their monthly compensation if they so elect. In order

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to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

**11. OTHER POSTEMPLOYMENT BENEFITS PLAN**

Plan Description

The City is obligated under Chapter 84.160 RSMo to provide medical and life insurance benefits for former civilian and commissioned Police employees who retire subsequent to 1969. The City provides these other postemployment benefits (OPEB) under a single-employer, defined benefit postemployment plan. The OPEB plan does not issue a separate financial report.

Commissioned Police employees may retire and receive benefits under the OPEB plan after 20 years of creditable service, regardless of age. Civilian Police employees may retire and receive benefits under the OPEB plan after attaining age 55 with 20 years of service, or after attaining age 60 with five years of service. The disability eligibility for officers for a service disability has no minimum age or service requirements and for an ordinary disability is 10 years of service. The disability eligibility for civilians is 5 years of service.

For eligible retired employees and disabled employees under age 65, the OPEB plan pays the full cost of a base healthcare plan. Retirees may elect to pay costs associated with a buy-up healthcare plan, which provides coverage in excess of the base healthcare plan. For eligible retired employees and disabled employees over 65, the OPEB plan pays the costs of a Medicare Supplement Plan. Retirees pay the full cost of spouse healthcare coverage. Additionally, the OPEB plan provides a postretirement death benefit of \$3.

The City has elected to have an actuarial valuation performed biennially, unless significant changes occur that affect the results of the most recent valuation. At July 1, 2013, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,512
Terminated plan members entitled to, but not yet receiving benefits	81
Active members	<u>1,798</u>
Total plan members	<u><u>3,391</u></u>

Funding Policy

Contributions made to the OPEB plan are established and may be amended by the Board of Aldermen. For the year ended June 30, 2015, the City contributed \$11,150, which was based upon pay-as-you-go financing requirements.

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Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation

The annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to plan, and changes in the net OPEB obligation:

Annual required contribution	\$ 43,260
Interest on net OPEB obligation	4,462
Adjustment to annual required contribution	<u>(7,589)</u>
Annual OPEB cost	40,133
Contribution made	<u>11,150</u>
Increase in net OPEB obligation	28,983
Net OPEB obligation, beginning of year	<u>148,744</u>
Net OPEB obligation, end of year	<u><u>\$ 177,727</u></u>

Historical trend information about the OPEB Plan is as follows:

<u>Fiscal year</u>		<u>Annual OPEB cost (AOC)</u>	<u>Percentage of AOC contributed</u>		<u>Net OPEB obligation</u>
2015	\$	40,133	27.8%	\$	177,727
2014		39,132	27.4		148,744
2013		39,297	25.2		120,338

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The July 1, 2013 actuarial valuation stated the actuarial accrual liability for benefits was \$490,773, and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$88,828, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 552.5%.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made throughout the future.

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The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The projection of future benefit payments for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation, as amended for significant changes to the plan that would impact the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3% discount rate and an annual healthcare cost trend rate of 8.00% for Pre-Medicare and 7% for Post Medicare initially, reduced by decrements to an ultimate rate of 6.00% for Pre-Medicare and 5% for Post-Medicare after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a 30-year amortization period.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.



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**13. LONG-TERM LIABILITIES**

**a. Changes in Long-Term Liabilities**

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2015:

	Primary government June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities:					
General obligation bonds payable	\$ 28,130	—	(5,120)	23,010	3,660
Section 108 Loan Guarantee Assistance Programs	35,580	—	(4,210)	31,370	4,460
Development and Tax increment financing bonds and notes payable	300,321	49,917	(9,896)	340,342	15,563
Loan agreement with MTFC	2,037	—	(482)	1,555	502
Capital lease – rolling stock	24,743	—	(5,012)	19,731	4,543
Certificates of participation	6,110	5,195	(6,110)	5,195	705
Obligations with component unit	51,556	—	(130)	51,426	6,973
Firemen's Retirement EAN Note	3,396	—	(3,396)	—	—
Loan agreement with FPF	4,610	2,080	(1,505)	5,185	95
Leasehold revenue improvement and refunding bonds	470,889	31,695	(67,579)	435,005	20,009
Joint venture financing agreement	37,844	—	(4,410)	33,434	4,589
Unamortized discounts	(4,099)	(11)	587	(3,523)	—
Unamortized premiums	7,745	3,782	(1,086)	10,441	—
Net pension obligation	52,390	—	(52,390)	—	—
Net pension liability	—	358,813	(34,072)	324,741	—
Net OPEB obligation	148,744	40,133	(11,150)	177,727	11,986
Accrued vacation and sick leave	51,841	24,768	(26,306)	50,303	23,794
Claims and judgments payable	45,825	31,797	(27,343)	50,279	23,364
Governmental activities long-term liabilities	\$ 1,267,662	548,169	(259,610)	1,556,221	120,243

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

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	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	\$ 764,150	17,310	(55,450)	726,010	39,785
Net pension liability	—	21,528	(4,281)	17,247	—
Net pension obligation	1,707	—	(1,707)	—	—
Pension funding project	5,157	—	(103)	5,054	109
Other	420	—	(24)	396	—
Accrued vacation, compensatory, and sick time benefits	5,135	3,468	(3,030)	5,573	3,468
Unamortized discounts and premiums	34,761	2,584	(5,685)	31,660	—
Unearned lease revenues	5,470	—	(280)	5,190	—
Total airport	816,800	44,890	(70,560)	791,130	43,362
Water Division:					
Revenue bonds payable	4,760	1,547	(4,019)	2,288	404
Customer deposits	1,800	733	—	2,533	—
Net pension liability	—	10,678	(1,671)	9,007	—
Net pension obligation	1,406	—	(1,406)	—	—
Pension funding project	2,999	—	(65)	2,934	—
Accrued vacation and sick time benefits	3,355	285	(201)	3,439	1,858
Total water division	14,320	13,243	(7,362)	20,201	2,262
Parking Division:					
Revenue bonds payable	69,679	6,440	(2,631)	73,488	2,751
Net pension liability	—	2,223	(255)	1,968	—
Net pension obligation	665	—	(665)	—	—
Pension funding project	831	—	(16)	815	—
Other	176	32	(17)	191	—
Unamortized discounts and premiums, net	360	(68)	(27)	265	—
Total parking division	71,711	8,627	(3,611)	76,727	2,751
Business-type activities long-term liabilities	\$ 902,831	66,760	(81,533)	888,058	48,375
Less amounts recorded in:					
Accrued salaries and other benefits				(5,326)	(5,326)
Accounts payable and accrued liabilities				(109)	(109)
				<u>\$ 882,623</u>	<u>42,940</u>



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b. General Obligation Bonds

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 3,660	1,064	4,724
2017	3,855	881	4,736
2018	4,040	692	4,732
2019	4,235	502	4,737
2020	885	297	1,182
2021 – 2025	5,145	911	6,056
2026	1,190	50	1,240
	<u>\$ 23,010</u>	<u>4,397</u>	<u>27,407</u>

c. Section 108 Loan Guarantee Assistance Programs

Principal and interest requirements for the combined Section 108 program notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 4,460	516	4,976
2017	4,750	467	5,217
2018	5,050	399	5,449
2019	5,360	312	5,672
2020	5,700	207	5,907
2021	6,050	74	6,124
	<u>\$ 31,370</u>	<u>1,975</u>	<u>33,345</u>

d. Development and Tax Increment Financing Bond and Notes Payable

The City issued \$49,917 in TIF bonds and notes payable during fiscal year 2015.

On March 11, 2015, the City issued \$5,050 in Industrial Development Authority of the City of St. Louis, Missouri Tax Increment Refunding Revenue Bonds, Series 2015 payable in varying amount through 2023 with an interest rate of 3.00%. These were issued to advance refund \$2,405 of the Industrial Authority's Tax Increment Refunding Revenue Bonds Series 2006 and alleviate a portion of the City's Tax-Exempt Subordinate Tax Increment Revenue Note, Series 2006 and its Taxable Subordinate Tax Increment Revenue Note Series 2006 (principal of \$1,037 and accrued interest of \$2,132).

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Principal and interest requirements for the development and tax increment financing debt issues are as follows:

	<b>TIF Bonds and Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2016	\$ 15,563	22,316	37,879
2017	16,557	21,322	37,879
2018	17,600	20,345	37,945
2019	18,728	19,216	37,944
2020	19,931	18,014	37,945
2021 – 2025	113,261	69,479	182,740
2026 – 2030	94,915	32,762	127,677
2031 – 2035	29,890	10,750	40,640
2036 – 2040	7,349	3,947	11,296
2041 – 2045	6,548	1,651	8,199
	<u>\$ 340,342</u>	<u>219,802</u>	<u>560,144</u>

e. Loan Agreement With Missouri Transportation Finance Corporation (MTFC)

Principal and interest requirements under the loan agreement with the MTFC are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2016	\$ 502	65	567
2017	523	44	567
2018	530	22	552
	<u>\$ 1,555</u>	<u>131</u>	<u>1,686</u>

f. Capital Lease—Rolling Stock

The following is a schedule of future minimum lease payments as of June 30, 2015.

Year ending June 30:		
2016	\$	5,023
2017		4,572
2018		4,572
2019		4,104
2020		2,749
Total future minimum lease payments		21,020
Amount representing interest		(1,289)
Present value of net minimum lease payments	\$	<u>19,731</u>

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g. Certificates of Participation

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC. On April 16, 2015, the SLMFC issued \$5,195 in Refunding Lease Certificates of Participation; Series 2015 with an average interest rate of 3.0% to advance refund \$5,455 of the Lease Certificates of Participation, Series 2008 with an average interest rate of 4.3%. The net proceeds of \$5,537 (after the addition of \$204 premium and \$911 prior debt service reserves less payment of \$233 in issuance costs were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 2008 Certificates of Participation. The current and advance refunding decrease the total debt service payment of the Series 2015 payment by \$617 and results in an economic gain (difference between present value of old and new debt service payments) of \$212. As a result, the Series 2008 Certificates of Participation are considered to be defeased, and the liability removed from the financial statements.

The following is a schedule, by years, of the future minimum payments together with the present value of the net minimum payments for the obligation, which supports the Kiel Premises, as of June 30, 2015.

Year ending June 30:		
2016	\$	808
2017		803
2018		821
2019		821
2020		816
2021 – 2022		<u>1,636</u>
Total future minimum obligation payments		5,705
Amount representing interest		<u>(510)</u>
Present value of net minimum obligation payments	\$	<u><u>5,195</u></u>

No capital assets are recorded by the City on its statement of net position in conjunction with this obligation due to the proceeds being used for demolition and site preparation.

h. Obligations with Component Unit

1) Convention Center – SLDC Series 2000 Bonds

In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds.

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The following is a schedule, by years, of the future minimum payments together with the present value of the net minimum payments for the obligation as of June 30, 2015.

Year ending June 30:		
2016	\$	15,295
2017		15,295
2018		15,295
2019		15,295
2020 – 2021		30,590
Total future minimum obligation payments		91,770
Amount representing interest		(56,480)
Present value of net minimum obligation payments	\$	<u>35,290</u>

No capital assets are recorded by the City on its statement of net position in conjunction with this obligation due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

2) 600 Washington Project – SLDC Series 2010 Bonds

On March 5, 2010, The Land Clearance for Redevelopment Authority (LCRA) issued \$16,960 Recovery Zone Facility Special Obligation Redevelopment Bonds Series 2010 (LCRA Series 2010 bonds) for the 600 Washington Project, a contractual obligation of the City.

The following is a schedule, by years, of the future minimum payments together with the present value of the net minimum payments for the obligation as of June 30, 2015.

Year ending June 30:		
2016	\$	961
2017		983
2018		1,008
2019		1,028
2020		1,058
2021 – 2025		5,687
2026 – 2030		6,552
2031 – 2035		7,549
2036 – 2040		7,351
Total future minimum obligation payments		32,177
Amount representing interest		(16,041)
Present value of net minimum obligation payments	\$	<u>16,136</u>

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i. Loan agreement with Forest Park Forever

During fiscal year 2015, the SLMFC issued \$2,080 in additional Forest Park Taxable Subordinate Leasehold Revenue Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 95	237	332
2017	99	233	332
2018	104	228	332
2019	108	223	331
2020	114	218	332
2021-2025	651	1,009	1,660
2026-2030	814	846	1,660
2031-2035	1,017	642	1,659
2036-2040	1,272	388	1,660
2041-2043	911	85	996
	<u>\$ 5,185</u>	<u>4,109</u>	<u>9,294</u>

14. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Pension Funding Project 2007

The long-term liability for the Employees' System portion of the Pension Funding Project Series 2007 debt is reflected as a long-term liability within the accompanying basic financial statements as follows as of June 30, 2015:

Governmental activities	\$ 35,791
Business-type activities	8,868
	<u>\$ 44,659</u>

b. Convention Center and Forest Park

On February 5, 2015, the SLMFC issued \$23,905 in Convention Center Refunding and Improvement Projects Leasehold Revenue Bonds, Series 2015 with an average interest rate of 4.104% to advance refund \$21,850 of the Leasehold Revenue Bonds, Series 2008 with an average interest rate of 5.399%. The net proceeds of \$23,960 (after the addition of \$2,894 premium and \$2,138 prior debt service reserves less payment of \$293 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Leasehold Revenue Bonds, Series 2008. The current and advance refunding decrease the total debt service payment of the Series 2015 payment by \$3,338 and results in an economic gain (difference between present value of old and new debt service payments) of \$2,756. As a result, the Series 2008 Convention Center Leasehold Revenue Bonds are considered to be defeased, and the liability removed from the financial statements. Included in the financing is an additional \$2,000 was borrowed for Convention Center improvements.

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On March 4, 2015, the SLMFC issued \$7,790 in Forest Park Leasehold Revenue Refunding Bonds, Series 2015 Bonds, with an average interest rate of 3.94% to advance refund \$8,105 of the Forest Park Leasehold Revenue Bonds, Series 2004 with an average interest rate of 4.38%. The net proceeds of \$8,150 (after the addition of \$684 premium less payment of \$324 in issuance costs were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Leasehold Revenue Bonds, Series 2004. The current and advance refunding decrease the total debt service payment of the Series 2015 payment by \$536 and results in an economic gain (difference between present value of old and new debt service payments) of \$502. As a result, the Series 2004 Forest Park Leasehold Revenue Bonds are considered to be defeased, and the liability removed from the financial statements.

**Principal and Interest Requirements**

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	<b>City Parks</b>		<b>Convention Center</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2016	\$ 500	1,104	\$ 185	2,196
2017	515	1,089	135	2,247
2018	530	1,074	140	2,243
2019	555	1,052	145	2,239
2020	575	1,030	145	2,235
2021-2025	3,295	4,736	33,386	39,695
2026-2030	4,035	3,996	35,812	52,565
2031-2035	4,915	3,112	22,710	65,806
2036 – 2039	6,185	1,849	31,998	41,303
2040 – 2043	4,455	361	—	—
	<u>\$ 25,560</u>	<u>19,403</u>	<u>\$ 124,656</u>	<u>210,529</u>

	<b>Justice Center</b>		<b>Forest Park</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2016	\$ 9,030	1,587	\$ 980	312
2017	9,485	1,135	1,015	281
2018	9,920	697	1,065	230
2019	3,630	218	1,105	187
2020	1,790	72	1,150	143
2021 – 2025	—	—	2,475	111
	<u>\$ 33,855</u>	<u>3,709</u>	<u>\$ 7,790</u>	<u>1,264</u>

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	<b>Carnahan Courthouse</b>		<b>Abram Building (1520 Market Street)</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2016	\$ 1,330	853	\$ 1,381	209
2017	1,385	800	1,484	162
2018	1,440	744	1,036	118
2019	1,495	687	1,067	88
2020	1,555	627	1,098	57
2021 – 2025	8,775	2,135	1,130	25
2026 – 2030	4,710	316	—	—
	<u>\$ 20,690</u>	<u>6,162</u>	<u>\$ 7,196</u>	<u>659</u>

	<b>Recreation sales tax</b>		<b>Police Capital Improvement sales tax</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2016	\$ 1,155	2,084	\$ 340	970
2017	1,185	2,036	350	958
2018	1,280	1,985	365	944
2019	1,335	1,931	380	930
2020	1,380	1,864	395	915
2021 – 2025	8,030	8,299	4,435	4,108
2026 – 2030	10,105	6,230	5,515	3,030
2031 – 2035	12,835	3,507	6,870	1,677
2036 – 2037	6,075	459	3,200	218
	<u>\$ 43,380</u>	<u>28,395</u>	<u>\$ 21,850</u>	<u>13,750</u>

	<b>Public safety sales tax Pension funding project 2008</b>		<b>Juvenile detention center</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2016	\$ 1,930	494	\$ 585	961
2017	2,045	380	610	938
2018	2,165	261	635	914
2019	2,290	134	660	888
2020	—	—	685	862
2021 – 2025	—	—	3,860	3,869
2026 – 2030	—	—	4,775	2,958
2031 – 2035	—	—	5,950	1,783
2036 – 2038	—	—	4,250	388
	<u>\$ 8,430</u>	<u>1,269</u>	<u>\$ 22,010</u>	<u>13,561</u>



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	<b>Pension funding project</b>	
	<b>Principal</b>	<b>Interest</b>
Year ending June 30:		
2016	\$ 2,785	8,349
2017	2,970	8,169
2018	3,160	7,976
2019	3,365	7,770
2020	3,585	7,551
2021 – 2025	21,735	33,943
2026 – 2030	29,780	25,900
2031 – 2035	40,800	14,879
2036 – 2040	20,275	1,998
	<u>\$ 128,455</u>	<u>116,535</u>

**15. JOINT VENTURE FINANCING AGREEMENT**

In April 1990, the St. Louis Regional Convention and Sports Complex Authority (Authority) was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase, or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2015, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Preservation payments</b>	<b>Total</b>
Year ending June 30:				
2016	\$ 3,490	1,411	1,099	6,000
2017	3,670	1,223	1,107	6,000
2018	3,865	1,025	1,110	6,000
2019	4,070	817	1,113	6,000
2020	4,280	598	1,122	6,000
2021 – 2022	9,245	491	(736)	9,000
	<u>\$ 28,620</u>	<u>5,565</u>	<u>4,815</u>	<u>39,000</u>



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**16. COMPONENT UNIT—LONG-TERM LIABILITIES**

a. Component Unit – SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2015:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Within One Year</u>
Due to other governmental agencies	\$ 5,234	609	(1,117)	4,726	4,726
Notes payable	28,578	—	(5,919)	22,659	4,694
Other liabilities	12,897	15,884	(19,596)	9,185	2,354
	<u>\$ 46,709</u>	<u>16,493</u>	<u>(26,632)</u>	<u>36,570</u>	<u>11,774</u>

Maturities on bank and other notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 4,694	801	5,495
2017	444	716	1,160
2018	465	695	1,160
2019	485	673	1,158
2020	13,681	311	13,992
2021 – 2030	2,890	664	3,554
	<u>\$ 22,659</u>	<u>3,860</u>	<u>26,519</u>

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**17. REVENUE BONDS PAYABLE**

a. Airport

Bonds outstanding at June 30, 2015 are summarized as follows:

Bond Series 2005, interest rate of 5.50%, payable in varying amounts through 2032	\$ 244,525
Bond Series 2007A, interest rate ranging from 4.25% to 5.25%, payable in varying amounts through 2033	193,505
Bond Series 2007B, interest rate of 5.00%, payable in varying amounts through 2028	104,735
Bond Series 2009A, interest rate ranging from 5.125% to 6.625%, payable in varying amounts through 2035	107,240
Bond Series 2011AB, interest rate of 5.00%, payable in varying amounts through 2016	5,750
Bond Series 2012, interest rate ranging from 3.00% to 5.00%, payable in varying amounts through 2033	27,275
Bond Series 2013, interest rate ranging from 2.00% to 5.00%, payable in varying amounts through 2019	25,670
Bond Series 2015, interest rate of 5.00%, payable in varying amounts through 2024	17,310
	<u>726,010</u>
Less:	
Current maturities	(39,785)
Unamortized discounts and premiums	31,660
	<u>(8,125)</u>
	<u>\$ 717,885</u>

Interest payments on the above issues are due semiannually on January 1 and July 1.

On June 30, 2015, the Airport issued \$17,310 in Series 2015 Revenue Refunding Bonds payable in varying amounts from 2020 through 2024 with an interest rate of 5.00%. At June 30, 2015, \$17,890 of 2005 Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The Airport completed the advance refunding to reduce its total debt service payments over the next 8 years by \$3,064 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,102.

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As of June 30, 2015, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2016	\$ 39,785	37,117	76,902
2017	38,400	35,522	73,922
2018	40,475	33,446	73,921
2019	42,585	31,254	73,839
2020	36,150	29,175	65,325
2021 – 2025	197,360	116,041	313,401
2026 – 2030	210,130	62,507	272,637
2031 – 2035	121,125	11,909	133,034
	<u>\$ 726,010</u>	<u>356,971</u>	<u>1,082,981</u>

In prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2015, \$17,890 of these outstanding bonds related to the 2005 Series is considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2015 are payable solely from and secured by, a pledge of net revenues from the operation of the Water Division and are as follows:

Series 2013 Water Revenue Refunding Bonds, 1.56%, drawdown loan, payable in varying amounts through January 1, 2034	\$ 2,288
Less:	
Current maturities	<u>(404)</u>
	<u>\$ 1,884</u>

Series 2013 Water Revenue Bonds

In November 2013, the Water Division issued \$9,500 (not to exceed) in Water Revenue Bonds (Series 2013 Bonds) through the Missouri Department of National Resources Direct Loan Program. This bond issue is a drawdown loan with a fixed interest rate of 1.56% to fund various projects at the water treatment plants and throughout the distribution system. At June 30, 2015, the Water Division has drawn down a total of \$2,487 of the loan.

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Debt Service Requirements

Debt service requirements to maturity of the 2013 Series Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending June 30:			
2016	\$ 404	36	440
2017	412	29	441
2018	422	23	445
2019	430	16	446
2020	439	10	449
2021	181	3	184
	<u>\$ 2,288</u>	<u>117</u>	<u>2,405</u>

Principle and interest payments are due semiannually on January 1 and July 1.

c. Parking Division

Revenue bonds outstanding at June 30, 2015 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds, interest rates variable, not to exceed 12%, payable in varying amounts through 2028	\$ 2,585
SLPCFC Series 2003B taxable revenue bonds interest rates variable, not to exceed 5%, payable in varying amounts through 2038	5,935
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2032	46,250
Series 2007 revenue bonds interest ranging from 4.125% to 6.00% payable in varying amounts through 2034	10,945
Series 2013A subordinated parking revenue bond interest rates variable, not to exceed 2.30%, payable in varying amounts through 2022	1,333
Series 2015A subordinated parking revenue bond interest rates variable, not to exceed 3.50%, payable in varying amounts through 2032	6,440
	<u>73,488</u>
Less:	
Current portion of revenue bonds payable	(2,750)
Unamortized discount and premium	265
	<u>\$ 71,003</u>

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Debt service requirements of the revenue bonds at June 30, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 2,751	3,217	5,968
2017	3,200	3,070	6,270
2018	3,321	2,952	6,273
2019	3,454	2,814	6,268
2020 – 2024	19,226	11,702	30,928
2025 – 2029	21,402	7,374	28,776
2030 – 2034	18,439	2,077	20,516
2035 – 2039	1,695	210	1,905
	<u>\$ 73,488</u>	<u>33,416</u>	<u>106,904</u>

#### **18. PLEDGED REVENUES**

The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following narratives list those revenues by source along with the general purpose of the debt, the amount of the pledge remaining, the term of the pledge commitment, the amount of pledged revenue collected during the current fiscal year, and the approximate percentage of the revenue stream that has been committed, if estimable:

##### **a. Governmental activities**

The City has pledged an ad valorem tax levied upon all taxable, tangible property, real and personal (property tax revenue) related to various general obligation revenue bonds. The general purpose of the various general obligation revenue bonds is the purpose of refunding renovation of fire and police buildings and demolition of unsafe or condemned buildings and communications equipment for fire police and EMS and police infrastructure improvements. The bonds are payable, in part, from a tax rate that is set annually based on revenue required to pay debt. The term of commitments related to such pledged revenues vary by issuances and extend to fiscal year 2026. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2015, the total principal and interest remaining to be paid on the debt is \$27,407. Principal and interest paid was \$6,421 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2014 was \$6,599. During fiscal year 2015, the proportion of pledged revenues needed for debt service to revenues collected was 100%.

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in specified TIF districts to pay debt outstanding. The general purpose of the TIFS is to assist in development of blighted properties. The debt outstanding is payable from the related pledged revenues through year 2036. Annual principal and interest outstanding on the various TIF bonds and notes outstanding is paid based on the amount of revenue captured in each particular district. It has also been pledged to pay debt on the Section 108 Loan for the Convention Center Hotel and the 600 Washington obligation with component unit. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2015, the total principal and

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interest remaining is \$616,770. Principal and interest paid was \$33,248 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$28,922. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

A \$45 (in dollars) surcharge on civil cases in the circuit court is imposed by state statute to be used for courthouse restoration. A city ordinance also imposes a \$5 (in dollars) court cost on all municipal ordinance violation cases to be used for courthouse restoration. The funds are used as pledges for the Civil Court and Carnahan Courthouse Leasehold Revenue Refunding Bond Series, with purposes of financing renovations at the Civil Courts building and the Carnahan Courthouse, respectively. The term of commitment related to such pledged revenues extend to fiscal year 2027. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2015, the total principal and interest remaining on these financings is \$26,852. Principal and interest paid was \$4,921 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$1,237. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged State per diem prisoner reimbursements for boarding of State prisoners to Justice Center debt issuances. The purpose of the financings was to construct a new Justice Center. The term of commitment related to such pledged revenues extend to fiscal year 2020. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2015, total principal and interest remaining on the debt is \$37,564. Principal and interest paid was \$10,623 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$6,322. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged a portion of the one half cent capital improvement sales tax to fund the Forest Park Leasehold Revenue Refunding Bonds, whose purpose was to finance improvements to Forest Park. As legally committed by ordinance, 10.4% of the revenue collected from this sales tax is allocated for Forest Park. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated related net revenues. Forest Park Taxable Subordinate Leasehold Revenue Bonds issued pledge the remainder of the tax as well as any revenue generated in the park. As of June 30, 2015, total principal and interest remaining on the debt is \$18,348. Principal and interest paid was \$3,089 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$3,087. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged the one eighth cent parks and recreation sales tax to fund the Recreation Sales Tax Leasehold Revenue Bonds Revenue Bonds whose purpose was the construction of two new recreation centers. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2037. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated related net revenues. As of June 30, 2015, total principal and interest remaining on the debt is \$71,775. Principal and interest paid was \$3,239 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$4,886. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 66.3%.



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The City has pledged a portion of the one half cent capital improvement sales tax to fund the Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007, whose purpose was capital improvements to police buildings and certain interoperable communications equipment to be used by the police, fire and EMS. As legally committed by ordinance, 10% of the revenue collected from this sales tax is allocated for police capital improvements. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2037. Annual principal and interest payments on the bonds are expected to require less than 90% of estimated related net revenues. As of June 30, 2015, total principal and interest remaining on the debt is \$35,600. Principal and interest paid was \$1,308 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$1,863. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 70.2%.

Sales tax revenues dedicated to City Parks have been pledged to pay debt outstanding on the City Parks Leasehold Improvement Dedicated Revenue Bonds. Debt payments will be made from dedicated revenues for parks in the Capital Improvement Sales Tax, Metropolitan Park and Recreation District Capital Improvement Sales Tax, and Arch-Metro Parks Sales Tax. Annual principal and interest payments on the bonds are expected to require less than 75% of estimated related revenues. As of June 30, 2015, total principal and interest remaining on the debt is \$44,963. Principal and interest paid was \$1,607 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$3,104. During fiscal year 2015, the proportion of pledged revenues needed to revenue collected was 51.8%.

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in the Argyle TIF district to pay debt outstanding on a portion of the Parking Revenue Bonds Series 2006 associated with the Argyle parking garage construction. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 100% of estimated related net revenues. As of June 30, 2015, total principal and interest outstanding on this portion of the debt is \$6,918. The pledged net revenue recognized for the year ended June 30, 2015 related to the collection of PILOTs and EATs was \$1,586. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in the Euclid-Buckingham TIF district to pay debt outstanding on a portion of the Parking Revenue Bonds Series 2006 associated with the Euclid-Buckingham parking garage construction. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 100% of estimated related net revenues. As of June 30, 2015, total principal and interest outstanding on this portion of the debt is \$8,494. The pledged net revenue recognized for the year ended June 30, 2015 related to the collection of PILOTs and EATs was \$307. During fiscal year 2015, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged general fund police parking ticket revenues to the Parking Revenue Bonds Series 2006 and Series 2007 in parity with the Parking Division to make up any shortfall of other committed sources. The term of commitment related to such pledged revenues extend to fiscal year 2038. As of June 30, 2015, total principal and interest remaining on the debt is \$46,719. During fiscal year 2015,

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revenue from the police parking ticket revenues totaled \$588. During fiscal year 2015, none of general fund revenues were used to meet the debt service requirements and the Parking Division has a payable to the City for this payment. See note 18b.

b. Business-type activities

Airport

The Airport has pledged future specific revenue streams, net of specified operating expenses, to secure the repayment of \$726,010 in various long-term debt issuances, as outlined in note 18. The general purpose of the various long-term debt issuances is for land acquisition and construction of the capital assets at the Airport. The bonds are payable from Airport net revenues and are payable through July 2034. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated Airport net revenues. As of June 30, 2015, the total principal and interest remaining to be paid on the bonds is \$1,082,981. Principal and interest paid was \$77,017 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$96,274.

Water

The Water Division has pledged specific revenue streams to secure the repayment of Series 2013 Bonds. As of June 30, 2015, the remaining principal and interest requirement is \$2,405 payable through January 2021 (fiscal year 2021). Principal and interest paid for the Series 2013 Bonds was \$4,062. The proportion of pledged revenue to revenue collected is estimated at 7.5% at June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$53,842.

Parking

The Parking Division has pledged specific net Parking Division project revenues and net Parking Division revenues, net of specified operating expenses, to secure the repayment of the City of St. Louis Parking Revenue Bonds, Series 2006, 2007, 2013A, and 2015A. The general purpose of the bonds is to build parking facilities in the City. As of June 30, 2015 the remaining principal and interest requirement is \$93,438 payable through fiscal year 2034. Principal and interest paid for the Series 2006, 2007, 2013A, and 2015A Parking Revenue Bonds was \$4,803 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$9,767.



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**19. SHORT-TERM DEBT**

a. City

The City issued \$65,000 of general fund Tax and Revenue Anticipation notes dated July 10, 2014 and redeemed May 29, 2015. The purpose of the notes is to improve cash flow to allow more prompt vendor payments and encourage additional vendors to bid on City business.

Short-term debt activity for the year ended June 30, 2015 was as follows:

	<b>Balance June 30, 2014</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2015</b>
Tax and revenue anticipation notes	\$ —	65,000	(65,000)	—
	<u>\$ —</u>	<u>65,000</u>	<u>(65,000)</u>	<u>—</u>

**20. OPERATING LEASES**

- a. At June 30, 2015, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2016	\$ 871
2017	720
2018	534
2019	235
2020	53
2021 – 2025	250
2026 – 2030	167
	<u>\$ 2,830</u>

Rental and lease expenditures for the fiscal year 2015 totaled \$3,332.

b. Airport – Use Agreements and Leases with Signatory Air Carriers

Effective July 1, 2011, the Airport entered into long-term use and lease agreements with signatory air carriers that will expire on June 30, 2016. Under the terms of the use and lease agreements, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, that is calculated as the difference between estimated and

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actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.

- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, that is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue terminal and concourses, hangars, and other buildings or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2015, revenues from signatory air carriers accounted for 53.1% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and non-signatory air carriers for the year ended June 30, 2015:

	<u>Signatory</u>	<u>Non-signatory</u>	<u>Total</u>
Airfield	\$ 51,409	13,086	64,495
Terminal and concourses	22,473	2,492	24,965
Hangars and other buildings	509	602	1,111
Cargo buildings	127	230	357
	<u>\$ 74,518</u>	<u>16,410</u>	<u>90,928</u>

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport (2) national and international political and economic conditions, including the effects of any past or future terrorist attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport Use Agreements, concession agreements, and other leases, which contain minimum annual revenue guarantees.

**City of St. Louis, Missouri**  
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(dollars in thousands)

The Airport leases facilities and land with varying renewal privileges to various non-signatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on non-cancelable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year(s) ending June 30:	
2016	\$ 22,837
2017	22,091
2018	21,836
2019	21,619
2020	16,281
2021 – 2025	26,669
2026 – 2030	11,391
2031 – 2035	7,324
2036 – 2039	62
Total minimum future rentals	<u>\$ 150,110</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$4,197 for the year ended June 30, 2015.

Unearned lease revenues included in Airport other long-term liabilities in the amount of \$5,190 as of June 30, 2015 represent the up front lease revenues received by the Airport for the lease of certain land.

The Airport leases computer and other equipment and has service agreements under non-cancelable arrangements that expire at various dates through 2018. Expenses for operating leases and service agreements were \$67 for the year ended June 30, 2015. Future minimum payments are as follows:

Year ending June 30:	
2016	\$ 40
2017	22
2018	9
2019	3
Total minimum future rentals	<u>\$ 74</u>

c. Component Unit—SLDC

During the year ended June 30, 2011, SLDC signed a sub-lease agreement with the City that commenced March 1, 2012 until June 30, 2031 with rental payments of \$620 per year for the first 10 years and variable amounts for the remaining 10 years. SLDC also has sublease agreements with Community Development Agency (CDA), Affordable Housing Commission (AFC), and Planning and Urban Design Development Agency (PDA) and in effect through June 30, 2031.

**City of St. Louis, Missouri**  
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Future minimum base rents under the terms of the lease agreements net of sublease rents anticipated from CDA and PDA as of June 30, 2015 are as follows:

Year ending June 30:	
2016	\$ 335
2017	336
2018	335
2019	336
2020 – 2021	671
	<u>\$ 2,013</u>

Additionally, at June 30, 2015, SLDC was committed through a 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for property at the City terminal site. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises. Sublease revenue is retained by SLDC for use at the terminal site.

**21. INTERFUND BALANCES**

Individual fund interfund receivable and payable balances as of June 30, 2015 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Special revenue—Grants fund	\$ 3,836
	Enterprise:	
	Airport	1,730
	Water Division	1,187
	Parking Division	1,492
		<u>8,245</u>
Other governmental nonmajor funds	General fund	3,168
	Capital projects fund	451
	Other governmental nonmajor funds	1,118
		<u>4,737</u>
Internal service funds	General fund	743
	Other governmental nonmajor funds	4
	Special revenue—Grants fund	1
	Enterprise:	
	Airport	2,543
	Water Division	2,642
	Parking Division	248
		<u>6,181</u>
		<u>\$ 19,163</u>

**City of St. Louis, Missouri**  
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All of these interfund balances are due to either timing differences or due to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2015.

Advances to/from other funds as of June 30, 2015 are as follows:

<u>Advance from</u>	<u>Advance to</u>	<u>Amount</u>
General fund	Internal Service Fund	\$ 40,917

**22. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

		Transfer To					
			Capital Projects Fund	Grants Fund	Other Governmental Funds	Parking Division	Total
		General Fund					
Transfer From	General fund	\$ —	11,333	8	1,850	—	13,191
	Capital Projects fund	39	—	5	14	—	58
	Other Governmental funds	28,330	8,971	—	811	964	39,076
	Grants fund	2	—	—	—	—	2
	Parking	1,061	—	—	—	—	1,061
	Airport	6,407	—	—	—	—	6,407
	Water Division	3,115	—	—	—	—	3,115
		\$ 38,954	20,304	13	2,675	964	62,910

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport and the Water Division are handled as transfers from each respective enterprise fund to the general fund.

**23. COMMITMENTS AND CONTINGENCIES**

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2015, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
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SLPD was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits originally against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD was an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislation became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri was liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City, up to a maximum of \$1,000. The SLPD was covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Of these suits, \$3,590 is included in the self-insurance claim liability of \$50,279 and \$11,886 is included as the estimate of reasonably possible within the \$18,868. Discussions are occurring between the City and the State of Missouri as to who is liable for certain suits that occurred prior to July 1, 2013 and also prior to August 28, 2005.

b. Commitments

At June 30, 2015, the City had outstanding commitments amounting to approximately \$10,423, resulting primarily from service agreements.

Additionally, at June 30, 2015, the Airport had outstanding commitments amounting to approximately \$20,228 resulting primarily from contracts for construction projects. In addition, the Airport has \$38,976 in outstanding commitments resulting from service agreements.

c. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end are not accounted for as expenditures and liabilities, but are included in fund balance. As of June 30, 2015 encumbrances of \$3,928 were reported in the general fund, \$27,220 in the capital projects services fund and \$2,240 in the other governmental funds.

d. American Airlines and Southwest Airlines

American Airlines, Inc. (American) and Southwest Airlines (Southwest) represent the major air carriers providing air passenger service at the Airport.

American provided 8% of the Airport's total operating revenues and 15% of total revenues from signatory air carriers for the fiscal year ended June 30, 2015. Accounts receivable at June 30, 2015 contained \$502 relating to amounts owed to the Airport by American. This amount includes \$491 of unbilled aviation revenues at June 30, 2015.



**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

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Southwest provided 27% of the Airport's total operating revenues and 51% of total revenues from signatory air carriers for the fiscal year ended June 30, 2015. Accounts receivable at June 30, 2015 contained \$641 relating to amounts owed to the Airport by Southwest. This amount includes \$1,986 of unbilled aviation revenues at June 30, 2015.

e. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

f. Parking Capital Commitments and Subsequent Events

On June 10, 2010, several employees who were part of an outsourcing of the meter collections, filed suit against the Parking Division. On August 24, 2012, the Court found the Parking Division liable by outsourcing the duties of employees. However, in fiscal year 2014, the Parking Division won the case on appeal and there is a possibility that this case will be taken by the Supreme Court. In fiscal year 2015, the Parking Division won the summary judgement on all claims without going to trial. However, this could still be appealed. The final outcome should be determined before January, 2016.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the net position or the results of operations of SLDC. In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City. Revenues from these contracts amounted to \$2,882 during the year ended June 30, 2015.

SLDC has received seven allocation awards of New Market Tax Credit (NMTC) investment authority pursuant to Section 45D of the Internal Revenue Code: a Round 2, \$52,000 allocation received in 2005, a Round 6, \$45,000 allocation in October 2008, a Round 7, \$65,000 allocation received in October 2009, a Round 8, \$21,000 allocation in February 2011, a Round 9, \$50,000 allocation received in February 2012, a Round 10, \$30,000 allocation received in April 2013 and a Round 12, \$45,000 allocation received in June 2015 from the Department of the Treasury's Community Development Financial Institutions Fund (CDFI). The NMTC program allows individuals and corporate taxpayers to receive a credit against federal income taxes in exchange for making a qualified entity investment in a qualified active low-income community business (QALICB). In order to qualify for the credits various federal requirements must be complied with.

**City of St. Louis, Missouri**  
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SLDC was required to create Community Development Entities (CDE) so as to demonstrate its mission of serving low-income residents and its accountability to the low income community. The NMTC program requires the credits to be transferred to the QALICB's by for-profit partnerships or corporations for federal tax purposes. To comply with this provision, SLDC created 60 subsidiary CDEs – St. Louis New Markets Tax Credit Fund, LLC I through XL and 41 – 60 with the intent that each project to be allocated would be assigned its own CDE. All of SLDC's first 6 allocations have been fully deployed into 37 projects. The Round 12 allocation still has \$45,000 available; however four transactions totaling \$22,000 are currently in underwriting and expected to close within the next 2 months.

SLDC receives financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become an SLDC liability. However, in the opinion of their management, any such disallowed claims will not have a material effect on the basic financial statements of SLDC at June 30, 2015.

#### **24. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$50,279 at June 30, 2015, relating to these matters is recorded in the self-insurance internal service fund—PFPC. Of total workers' compensation liability, \$4,304 has been accrued for benefits to be paid for long-term medical care for officers seriously injured in the line of duty. Benefit payments for these cases amounted to approximately \$369 for the year ended June 30, 2015. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City is self-insured for the prescription drug coverage provided to employees and retirees. The estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$685 at June 30, 2015 relating to such matters is recorded in the self-insurance internal service fund—health.

Additionally, as of June 30, 2015, the following claims were recorded/accrued within the noted funds because the claims are not accounted for within the PFPC internal service fund; General fund in the amount of \$33,



**City of St. Louis, Missouri**  
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June 30, 2015  
(dollars in thousands)

The City maintains a blanket surety bond covering all City employees through PFPC. In addition, the City purchases commercial insurance for property damage for large City buildings and some contents. Damage and liability coverage is applicable to the Airport. There were no significant changes in coverage for the year ended June 30, 2015 and, for the years ended June 30, 2015 and 2014 settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2015 and 2014 are as follows:

	<u>Beginning balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending balance</u>
2015	\$ 45,825	31,797	(27,343)	50,279
2014	40,899	25,572	(20,646)	45,825

Additionally, there is an estimate of general liability claims outstanding of \$18,868 which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimateable.

**25. GRANT LOAN PROGRAMS**

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectability is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

**26. COMPONENT UNIT—SLDC CONDUIT DEBT**

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective entity. Since the entity is responsible for the repayment of the bonds, no liability is established on the SLDC's books. Therefore, transactions related to the leases and the related bond liability are not presented in SLDC's basic financial statements.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

**27. FUND BALANCE**

The following table displays the breakdown of fund balance by purpose in accordance with GASB Statement No. 54:

	General fund	Capital projects fund	Grant funds	Other governmental fund	Total
Nonspendable:					
Health and welfare	\$ —	—	—	10	10
Parks and recreation	—	—	—	1	1
Public safety	1,732	—	—	—	1,732
Other	693	—	—	—	693
Total Nonspendable	2,425	—	—	11	2,436
Restricted:					
Redevelopment	—	—	—	11,994	11,994
Streets and bridges	—	1,680	—	44	1,724
Public safety	—	2,711	818	69	3,598
Parks and recreation	—	24,918	—	1,837	26,755
Convention and tourism	—	4,252	—	—	4,252
Transportation	—	—	—	5,610	5,610
Debt service	14,852	4,547	—	23,816	43,215
Other	—	304	—	1,901	2,205
Total Restricted	14,852	38,412	818	45,271	99,353
Committed:					
Health and welfare	—	—	—	13,417	13,417
Streets and bridges	—	4,666	—	1,958	6,624
Public safety	—	463	—	5,658	6,121
Parks and recreation	—	9,747	—	2,146	11,893
Convention and tourism	—	—	—	3,327	3,327
Payroll reserve	9,134	—	—	—	9,134
Other	—	18,794	—	3,898	22,692
Total Committed	9,134	33,670	—	30,404	73,208
Assigned:					
Redevelopment	—	—	—	2,883	2,883
Health and welfare	—	—	—	8	8
Streets and bridges	—	—	—	31	31
Public safety	—	—	—	40	40
Parks and recreation	—	—	—	170	170
Convention and tourism	—	—	—	—	—
Other	2,242	—	—	3,247	5,489
Total Assigned	2,242	—	—	6,379	8,621
Unassigned	—	(18,227)	—	—	(18,227)
Total fund balance	\$ 28,653	53,855	818	82,065	165,391

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements  
June 30, 2015  
(dollars in thousands)

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**28. SUBSEQUENT EVENTS**

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. On July 7, 2015, the City issued \$60,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 1, 2016 and bear interest at a rate of 2.00% per year.

b. Development and Tax Increment Revenue Notes

Subsequent to June 30, 2015, the City issued development and tax increment revenue notes totaling \$39,744 with interest rates ranging from 4.50% to 7.08%.

c. 1520 Market Financing

On September 1, 2015, the SLMFC issued \$7,000 1520 Market St. Leasehold Refunding Revenue Bonds, Series 2015A and Not to Exceed \$13,000 1520 Market St. Taxable Leasehold Revenue Bonds, Series 2015B. Along with additional contributions of the City, the Series 2015A bonds refunded the Series 2007 and Series 2011 outstanding principal in the amount of \$7,196, as well as any accrued interest, redemption premiums and cost of issuance. A draw on the Series B bonds in the amount of \$5,500 was used for cost of issuance and site preparation for the possible NGA property.

d. General Obligation Bonds Refinancing

Subsequent to June 30, 2015, the City approved the refinancing of \$23,010 General Obligation Bonds.

e. Water Revenue Refunding Bonds

In September 2015, the Water Division drew down an additional \$210 of the Series 2013 Water Revenue Refunding Bonds.

f. Property Taxes

The City tax rate levied in November 2015 was \$1.6158 per \$100 (in dollars) of assessed valuation of which \$1.4828 (in dollars) is for the general fund and \$0.133 (in dollars) is for the debt service fund.

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## **APPENDIX C**

### **FORM OF BOND COUNSEL OPINION**

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## FORM OF OPINION OF BOND COUNSEL

The City of St. Louis, Missouri  
City Hall  
1200 Market Street  
St. Louis, Missouri 63103

UMB Bank, N.A., as Paying Agent and Bond  
Registrar  
2 South Broadway, Suite 600  
St. Louis, Missouri 63102

Stifel, Nicolaus & Company, Incorporated,  
as Representative of the Underwriters  
501 N. Broadway  
St. Louis, Missouri 63102

**Re:       \$25,000,000 The City of St. Louis, Missouri General Obligation Bonds, Series 2016A**

Ladies and Gentlemen,

We have acted as Bond Counsel to The City of St. Louis, Missouri (the “*City*”) in connection with the issuance of the above-referenced bonds (the “*Series 2016 Bonds*”) pursuant to the City’s Charter and Ordinance No. 70356 adopted by the Board of Aldermen of the City on October 14, 2016, and approved by the Mayor of the City, on October 18, 2016 (the “*Ordinance*”). In such capacity, we have examined such law and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents:

Ordinance;

Tax Compliance Certificate dated as of November 1, 2016 (the “*Tax Compliance Certificate*”);

Bond Purchase Agreement dated November 2, 2016, by and among the City and Stifel, Nicolaus & Company, Incorporated, as Representative of the Underwriters, as defined therein (the “*Bond Purchase Agreement*”);

Closing Certificate, Request to Authenticate Bonds, and Receipt of the City dated as of the date hereof (the “*City Closing Certificate*”); and

Official Statement dated November 2, 2016, of the City (the “*Official Statement*”).

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Ordinance.

In making our examination of documents, we have assumed that the parties to such documents had the power to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action and execution and delivery of such documents and that the documents above are valid and binding as to the parties. We have assumed the genuineness of all signatures on all documents examined by us, the authenticity of all documents submitted to us as originals and the conformity to authentic originals of all documents submitted to us as copies. In giving this opinion, we have relied upon such certificates with respect to the accuracy of factual matters contained therein which were not independently established.

As to questions of fact material to this opinion, we have relied upon representations of the City contained in the Ordinance and the other financing documents delivered in connection with the Series 2016 Bonds, and the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We note that we have relied upon various issues with respect to the City in connection with the Series 2016 Bonds that are addressed in the opinion of the Interim City Counselor dated the date hereof. Except as otherwise stated herein, we express no opinion with respect to those issues.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law:

1. The Series 2016 Bonds have been duly authorized, executed, and delivered by the City, and are valid and legally binding general obligations of the City, payable as to both principal and interest from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

2. The interest on the Series 2016 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from gross income for federal and State income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and State income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of these requirements may cause interest on the Series 2016 Bonds (including any original issue discount properly allocable to the owners thereof) to be included in gross income for federal and State income tax purposes retroactive to the date of issuance of the Series 2016 Bonds. We express no opinion as to whether interest on the Series 2016 Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended. The Series 2016 Bonds have not been designated “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Except as stated in paragraph 2 above, we express no opinion regarding any other federal or State tax consequences with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds.

Although we are not opining as to enforceability, it is to be understood that the rights of the owners of the Series 2016 Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws relating to or affecting creditors’ rights and by equitable principles, whether considered at law or in equity, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy or completeness of any offering material relating to the Series 2016 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and may not be used or relied upon by any third party for any purpose whatsoever without our prior written approval in each instance.



The opinions expressed herein are limited to the federal law of the United States of America and the laws of the State.

The opinions expressed herein are as of the date hereof only and are based on laws, orders, contract terms and provisions and facts as of such date. By rendering this opinion, we do not undertake, and hereby disclaim any obligation, to update this opinion letter after such date or to advise you of any changes in law or fact stated or assumed herein which may occur or come to our attention after the date hereof.

This opinion is furnished only to you and is solely for your benefit in connection with the transactions described herein. Without our prior written consent, this opinion may not be used, quoted or otherwise referred to for any other purpose or relied upon by, or assigned to, any other person for any purpose, including any other person that seeks to assert your rights in respect of this opinion.

Very truly yours,

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## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE AGREEMENT**

**Dated as of November 1, 2016**

**between**

**THE CITY OF ST. LOUIS, MISSOURI**

**and**

**UMB BANK, N.A.,  
as Dissemination Agent**

**\$25,000,000**

**THE CITY OF ST. LOUIS, MISSOURI  
GENERAL OBLIGATION BONDS  
SERIES 2016A**

## CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of November 1, 2016 (this “*Continuing Disclosure Agreement*”), is executed and delivered by The City of St. Louis, Missouri (the “*City*”) and UMB Bank, N.A., as dissemination agent (the “*Dissemination Agent*”).

### RECITALS

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the City of its \$25,000,000 General Obligation Bonds Series 2016A (the “*Bonds*”). The Bonds are issued under the authority of the State of Missouri (the “*State*”), the City’s Charter, and Ordinance No. 70356, adopted by the Board of Aldermen of the City on October 14, 2016, and approved by the Mayor of the City on October 18, 2016 (the “*Bond Ordinance*”).

2. The City and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (all as defined below). The City has determined that the City is the only “obligated person” with responsibility for continuing disclosure within the meaning of the Rule. The City acknowledges that no other party has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement.

In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

**Section 1. Definitions.** The following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

“*Beneficial Owner*” means any registered owner of any Bonds and any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean the Comptroller, on behalf of the City, or her successors or designees, or such other person as the City shall designate in writing to the Dissemination Agent from time to time.

“*EMMA*” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org), or such other location as may be designated in the future by the MSRB pursuant to the Rule.

“*Listed Events*” means any of the events listed in Section 4(A) of this Continuing Disclosure Agreement, and includes any Material Listed Events.

“*Material Listed Events*” means such of the events listed in Section 4(A) of this Continuing Disclosure Agreement which requires a determination of materiality and which the City has advised the Dissemination Agent are material under applicable federal securities law.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the SEC in accordance with the Rule.

“National Repository” means any nationally recognized municipal securities information repository for purposes of the Rule. Currently, the sole National Repository within the meaning of the Rule is the MSRB through EMMA and filings shall be submitted solely at its website, <http://emma.msrb.org>.

“Official Statement” means the Official Statement dated November 2, 2016, relating to the issuance and sale of the Bonds.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” means each National Repository and each State Repository, if any.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

“State Repository” means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Continuing Disclosure Agreement, there is no State Repository.

Unless the context clearly indicates otherwise, words used in the singular include the plural and words used in the plural include the singular.

## **Section 2. Provision of Annual Reports.**

A. The City shall, or shall cause the Dissemination Agent to, not later than two hundred ten (210) days (if the 210<sup>th</sup> day is not a Business Day, then the next succeeding Business Day) after the end of the City’s Fiscal Year (presently June 30) commencing with the report for the Fiscal Year ending June 30, 2016, provide to each Repository an Annual Report which is consistent with the requirements of Section 3(A) and (B) of this Continuing Disclosure Agreement. The City shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days (if the 270<sup>th</sup> day is not a Business Day then the next succeeding Business Day) after the end of each calendar year (December 31) commencing with the calendar year ending December 31, 2016, provide to each Repository the information consistent with the requirement of Section 3(C) of this Continuing Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents, and may cross-reference other information as provided in Section 3 of this Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(A) of this Continuing Disclosure Agreement.

B. Not later than fifteen (15) Business Days prior to the date specified in Subsection A above for providing the Annual Report to the Repositories, the City shall either provide the Annual Report, in PDF format, word-searchable, to the Dissemination Agent with instructions to file the

Annual Report as specified in Subsection A above or provide a written certification to the Dissemination Agent that the City has provided the Annual Report to the Repositories.

C. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date specified in Subsection A above, the Dissemination Agent shall send to each Repository timely notice of such in substantially the form of **Exhibit A** hereto.

D. The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report to the Repositories the name and address of each National Repository and the State Repository, if any;
2. unless the City has certified in writing that the City has provided the Annual Report to the Repositories, promptly following receipt of the Annual Report and the instructions required by Subsection B above, provide the Annual Report to the Repositories and file a report with the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided or that the City has certified that it filed the Annual Report; and
3. unless the City has provided the Annual Report as provided above, notify the City in each year not later than ninety (90) days and again not later than thirty (30) days prior to the date for providing the Annual Report to the Repositories, of the date on which its Annual Report must be provided to the Dissemination Agent or the Repositories.

### **Section 3. Content of Annual Reports.**

The City's Annual Report will contain or incorporate by reference the following:

(A) Audited financial statements of the City for the prior Fiscal Year, in a format similar to the financial statements contained in the Official Statement, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board ("GASB") and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB, provided, however, that the City may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which such financial statements are provided. Notice of any such modification shall be provided to the MSRB and shall include a reference to the applicable law or requirement describing such accounting basis. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Continuing Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the Annual Report for the prior Fiscal Year, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(B) Financial information and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in Appendix A to the Official Statement under the captioned headings:



- (a) “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS – General Revenue Fund” and “– General Revenue Fund Expenditures – Table I Statement of Revenues, Expenditures and Changes in Fund Balances – Accrual Basis – Year ended June 30” and “–Table II Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Year ended June 30”;
- (b) “GENERAL REVENUE RECEIPTS – General Revenue Fund Receipts by Category,” “– Earnings Tax,” “– Franchise Tax,” “– Sales and Use Tax,” “– Gross Receipts Tax,” “– Motor Vehicle Sales Tax,” “– Payroll Taxes,” “– Other Taxes,” “– License Fees,” “– Departmental Receipts” and “– Operating Transfers”;
- (c) “INSURANCE”; and
- (d) “DEBT OF THE CITY – City of St. Louis, Missouri – Outstanding TIF and MODESA Debt.”

(C) Financial information and operating data of the City updated for the prior Calendar Year in substantially the scope and form contained in the tables in Appendix A to the Official Statement under the captioned heading “GENERAL REVENUE RECEIPTS – Real and Personal Property Taxes.”

Any or all of the items listed in 3(A), (B) and (C) above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an “obligated person,” which have been filed with each of the Repositories, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

#### **Section 4. Reporting of Listed Events.**

A. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not in excess of ten (10) business days after the occurrence of such event:

- 1. principal and interest payment delinquencies;
- 2. non-payment related defaults, if material;
- 3. modifications to rights of Bondholders, if material;
- 4. Bond calls, if material, and tender offers;
- 5. defeasance;
- 6. rating changes;
- 7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax

status of the Bonds, or other material events affecting the tax status of the Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar event of the City;
13. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

B. The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, contact the City, inform the Disclosure Representative of the event, and, if such Listed Event requires a determination of materiality, request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection F below. For the purpose of this Continuing Disclosure Agreement, “actual knowledge” of the Listed Events shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to this Continuing Disclosure Agreement.

C. Whenever the City obtains knowledge of the occurrence of a Listed Event requiring a determination of materiality, as set forth in Subsection A above, because of a notice from the Dissemination Agent pursuant to Subsection B above or otherwise, the City shall as soon as possible determine if such event is a Material Listed Event.

D. If knowledge of the occurrence of a Listed Event requiring a determination of materiality would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing that it is a Material Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence of the Material Listed Event pursuant to Subsection F below.

E. If in response to a request under Subsection B above, the City determines that the Listed Event requiring a determination of materiality is not a Material Listed Event, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Subsection F below.

F. The Dissemination Agent shall file a notice of all Listed Events within the timeframe set forth in Subsection A above with the National Repository and each State Repository, if any, with a copy to the City.

**Section 5. EMMA.** The Dissemination Agent shall use EMMA for the submission of Annual Reports and Listed Events for so long as EMMA is recognized, authorized or approved by the SEC. Submission of an Annual Report or a Listed Event by the Dissemination Agent to EMMA shall be deemed to satisfy the Dissemination Agent's obligations under this Continuing Disclosure Agreement with respect to that Annual Report or Listed Event.

**Section 6. Termination of Reporting Obligations.** The City's and the Dissemination Agent's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. If the City's obligations under this Continuing Disclosure Agreement are assumed in full by another entity, such entity shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the City, and the City shall have no further **responsibility** hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 4(A) of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement shall also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; or (ii) receipt by the Dissemination Agent and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Bonds.

**Section 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the City shall not have any obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 8. Amendment; Waiver.**

Notwithstanding any other provision of this Continuing Disclosure Agreement, the City and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3A or 4A of this Continuing Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, rule or regulation or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, should, in the opinion of counsel to the Participating Underwriters, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver, in the written Opinion of Bond Counsel for the Bonds, does not materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4(A) of this Continuing Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

#### **Section 9. Default.**

In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, any Bondholder or Beneficial Owner of at least 25% aggregate principal amount of the Bonds may, take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed to be an Event of Default under the Ordinance or with respect to the Bonds, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be action to compel performance.

#### **Section 10. Duties, Immunities and Liabilities of Dissemination Agent.**

The Dissemination Agent at the time acting hereunder may at any time resign by giving not less than sixty (60) days' written notice to the City specifying the date when such resignation will take effect. No such resignation shall take effect unless a successor Dissemination Agent shall have been appointed by the City. If no successor Dissemination Agent has been appointed within sixty (60) days of the notice, the Dissemination Agent may petition a court of competent jurisdiction to have a successor Dissemination Agent appointed.

The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and, to the extent permitted by applicable law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorney's fees and expenses) of defending against any claim of liability as it relates to the City, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

The Dissemination Agent shall not be responsible for the content of any notice or information provided by the City to the Dissemination Agent for filing or the City's failure to submit a complete Annual Report. The Dissemination Agent shall not be responsible for ensuring the compliance with any rule or regulation of the City or Participating Underwriter in connection with the filings of information herein, but is merely responsible for the filing of any such information provided to the Dissemination Agent by the City.

The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The City shall pay the fees, charges, and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

**Section 11. Notices.** Any notices or communications between the parties to this Continuing Disclosure Agreement may be given by registered or certified mail, return receipt requested, or by confirmed facsimile, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as follows:

To the City:	The City of St. Louis, Missouri City Hall West 1520 Market Street, Room 3005 St. Louis, Missouri 63103 Attention: Kelley Anderson, Esq., Special Assistant to the Comptroller Telephone: (314) 612-1467 Facsimile: (314) 622-4026
With a copy to:	The City of St. Louis, Missouri City Hall, Room 314 1200 Market Street St. Louis, Missouri 63103 Attention: City Counselor Telephone: (314) 622-4078 Facsimile: (314) 622-4956
To the Dissemination Agent:	UMB Bank, N.A. 2 South Broadway, Suite 600 St. Louis, Missouri 63102 Attention: Corporate Trust Department Telephone: (314) 612-8480 Facsimile: (314) 612-8499

Any person may, by written notice to the other persons listed above, designate a different address, telephone number(s) or facsimile number(s) to which subsequent notices or communications should be sent.

**Section 12. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and the Bondholders and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 14. Governing Law; Venue.** This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri. Any action under this Continuing Disclosure Agreement shall be filed in the 22<sup>nd</sup> Judicial Circuit of the State of Missouri (City of St. Louis) or in the United States District Court for the Eastern District of Missouri.

**Section 15. Severability.** If any provision in this Continuing Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 16. Captions.** The captions or headings in this Continuing Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Continuing Disclosure Agreement.

**Section 17. Electronic Means.** The transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

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**IN WITNESS WHEREOF**, The City of St. Louis, Missouri, has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its duly elected officials and/or authorized officers, all as of the day and year first above written.

[SEAL]

THE CITY OF ST. LOUIS, MISSOURI

By: \_\_\_\_\_  
Francis G. Slay, Mayor

By: \_\_\_\_\_  
Darlene Green, Comptroller

[SEAL]

ATTEST

By: \_\_\_\_\_  
Parrie L. May, Register

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Michael Garvin, Interim City Counselor

[Continuing Disclosure Agreement]

**IN WITNESS WHEREOF**, UMB Bank, N.A., as Dissemination Agent, has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf by one of its duly authorized officers as of the day first above written.

UMB BANK, N.A., as Dissemination Agent

By: \_\_\_\_\_  
Brian P. Krippner, Senior Vice President

[Continuing Disclosure Agreement]



**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: The City of St. Louis, Missouri (the “City”)  
Name of Obligor: City  
Name of Bond Issue: \$25,000,000 General Obligation Bonds, Series 2016A  
Date of Issuance: November 10, 2016

**NOTICE IS HEREBY GIVEN** that the City has not filed an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of November 1, 2016, between the City and UMB Bank, N.A., as Dissemination Agent. The City has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by the following date:

\_\_\_\_\_.

**Dated:** \_\_\_\_\_, \_\_\_\_

**UMB Bank, N.A.**, as Dissemination Agent  
on behalf of The City of St. Louis, Missouri

cc: The City of St. Louis, Missouri

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## **APPENDIX E**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27th floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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**Mixed Sources**  
Product group from well managed  
forests, controlled sources and  
recycled wood or fibres.