



Scott Fitzpatrick

Missouri State Auditor

City of Arnold and Arnold Transportation Development Districts

Report No. 2026-035

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auditor.mo.gov



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Arnold and Arnold Transportation Development Districts

Conflicts of Interest Resulted in TDD Taxes Funding City Developments

Conflicts of interest have resulted in the City of Arnold inappropriately using the taxing authority of the Arnold Retail Corridor Transportation Development District (ARC TDD) to fund city developments. The City Attorney was significantly involved in the creation of the Triangle TDD, as well as the ARC TDD; and has also maintained significant involvement with the ARC TDD, despite not having a formal role in the district's governance structure or formally representing the district as the district's attorney. In addition, the Triangle TDD and ARC TDD were created and structured to ensure city officials maintained control of district decisions, rather than having property owner or citizen representation on the board. The TDD has continued to collect sales taxes despite not having any outstanding debt and without having a viable project to justify the TDD's continued existence. TDD taxes are currently being used to pay off the city's tax increment financing (TIF) debt, and have been used to purchase property outside of the TDD boundaries for the purposes of furthering the city's development goals, which are unrelated to the TDD and are an improper use of TDD resources. From June 30, 2009, through June 30, 2025, the ARC TDD unnecessarily paid \$3.3 million of the City's TIF debt without any benefit to the district. Further, city officials, acting in their capacity as ARC TDD Board members, entered into an agreement to prevent the ARC TDD from abolishing until this city debt is paid in full. TDD funds are being used to purchase properties that may or may not be necessary for the construction of the connector road, but are part of a larger plan to redevelop the residential area adjacent to the district. Using TDD funds to purchase property for non-transportation purposes is not an allowable use of TDD funds.

Lack of Transparency to the Public

City officials, acting in their capacity as the petitioner for the ARC TDD and as ARC TDD Board members, have intentionally designed multiple aspects of the ARC TDD to limit transparency to the public. The boundary of the ARC TDD was intentionally drawn to exclude the residential area between the current district boundary and Highway 141. As a result, the residential property owners in this area did not have a vote in the creation of the district and are not allowed to be part of the governance structure or be involved in the decisions of the district. The Arnold City Council took several "show" votes to end the Arnold Parkway Project even though the City Council has no authority to make any decisions related to the ARC TDD. Holding such public votes which intentionally mislead the public causes confusion, and significantly reduces public trust and transparency. The ARC TDD contracted with the Arnold Acquisition Company (AAC) to purchase property on the open market because the city and the ARC TDD did not want the residents who were selling their homes to know the purchase was for the ARC TDD due to concerns that residents might become aware the purchase was for a commercial project and demand a premium for their homes. The city violated Missouri law by inappropriately discussing TDD activity in closed session and the State Auditor's Office had to issue a subpoena to the city in an attempt

to obtain unredacted copies of the meeting minutes. The ARC TDD did not ensure businesses within the boundaries of the ARC TDD disclosed the existence of the ARC TDD sales tax to customers, in violation of state law. A review of retailers determined none of the 10 retailers tested displayed the rate of the sales tax at the entry of the business or at the register, or otherwise acknowledged the existence of the ARC TDD.

Lack of Oversight by ARC TDD Board and City, and Noncompliance with TIF reporting

Improved oversight by the ARC TDD Board and the City Council is needed related to TDD funding and governance. The ARC TDD Board is made up entirely of city officials who are responsible for appointing and removing designated TDD directors as they see fit. The ARC TDD delegated the city to receive and process sales tax payments from the state on its behalf, with no district oversight. Without oversight of district revenue, the Board has reduced assurance district revenues are being allocated and distributed appropriately. The Board contracted with the Arnold Acquisition Company (AAC) for the design and construction of the connector road project, and for property acquisition services, but the district's contract with AAC was not reviewed by district legal counsel, but rather, was prepared by the City Attorney. The contract does not define the terms of payment for these services, which puts the district at risk of being overcharged. Despite frequent discussions about the ARC TDD projects during closed session, the City Council was unaware of its specific duties related to oversight of the ARC TDD and the active redevelopment projects within the city. Revenues from the city's 2 TIF districts are not segregated or accounted for separately as required by state law, resulting in TIF funds being comingled and revenues for one district potentially being used for the projects of the other. In addition, the city is not in compliance with statutory TIF reporting requirements, which results in a lack of transparency to the public regarding the status of TIF debts and revenues.

State Law is Ambiguous and Allows for Abuse

State law clearly defines a TDD as a political subdivision of the state, which makes it a legally separate entity from other political subdivisions like a city or county. However, the state TDD law does not require TDD board members and officials to act in a fiduciary manner, with the best interest of the TDD in mind, when conflicts arise. City officials, in their capacity as ARC TDD Board members, have consistently made decisions that prioritize their development goals for the City of Arnold, rather than the best fiduciary interest of the district and the taxpayers who pay TDD taxes. The city used a section of the TDD law intended for districts that span multiple jurisdictions to ensure city officials and city designees obtained and maintained control of the ARC TDD board, and conversely, ensuring property owners in the ARC TDD boundaries did not have representation on the board. The ARC TDD creation documents use vague, undefined project wording as justification to pursue projects and purchase property outside of the district's boundaries because the Board believes these projects fit into the definition of "benefitting the district."

City Attorney Provided an intentionally Misleading Statement to Auditors

The City Attorney intentionally provided a misstatement to the State Auditor's Office in an attempt to interfere with the audit, and in doing so, violated Missouri statute and Missouri Supreme Court Rules of Professional Conduct. During an interview with auditors, the City Attorney indicated he served as legal counsel for the ARC TDD and then responded on behalf of

the district on multiple subjects. At a later meeting, the City Attorney indicated he was never procured as the official legal counsel for the TDD, and clarified that his involvement with the district has always been on behalf of, and to the betterment of, his client, the city.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

City of Arnold and Arnold Transportation Development Districts Table of Contents

| | |
|------------------------|---|
| State Auditor's Report | 2 |
|------------------------|---|

| | |
|----------------------------|----|
| Introduction | |
| Background | 4 |
| Scope and Methodology..... | 10 |

| | |
|--|----|
| Management Advisory Report - State Auditor's Findings | |
| 1. Conflicts of Interest Resulted in TDD Taxes Funding City Developments | 17 |
| 2. Lack of Transparency to the Public..... | 26 |
| 3. Lack of Oversight by ARC TDD Board and City, and Noncompliance with TIF Reporting..... | 33 |
| 4. State Law is Ambiguous and Allows for Abuse | 38 |
| 5. City Attorney Provided an Intentionally Misleading Statement to Auditors | 41 |

Appendixes

| | |
|--|----|
| A State Auditor Subpoenas - Bryan Richison..... | 44 |
| B State Auditor Subpoena - Ron Counts..... | 48 |
| C ARC TDD Revenues and Expenditures, Fiscal Year Ended August 31, 2024..... | 49 |
| D City-Provided Map of the ARC TDD and TIF District Boundaries | 50 |
| E ARC TDD Property Owners | 51 |
| F City of Arnold and ARC TDD Responses to Audit Recommendations..... | 52 |



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

To the Honorable Mayor
and
Members of the City Council
and
Board of Directors
Arnold Triangle Transportation Development District
and
Board of Directors
Arnold Retail Corridor Transportation Development District
Arnold, Missouri


We have audited certain operations of the City of Arnold, Arnold Triangle Transportation Development District (Triangle TDD), and Arnold Retail Corridor Transportation Development District (ARC TDD) in fulfillment of our duties under Section 29.225, RSMo, which allows for an audit of these entities if, after an investigation, the State Auditor believes improper government activity occurred. We received multiple whistleblower complaints alleging wrongdoing by city officials in their capacity as directors on these TDD boards. We performed an investigation and determined these whistleblower complaints to be credible. The objectives of our audit were to evaluate:

1. The formation and current status of the Triangle TDD and ARC TDD, and the related projects.
2. The history of the Triangle TDD's and ARC TDD's sales tax rates, including total money collected and expected future revenue.
3. The overlap between City of Arnold activity and TDD activity in the city.
4. The Triangle TDD's and ARC TDD's procedures for property acquisition.
5. The City of Arnold's, Triangle TDD's and ARC TDD's compliance with certain legal provisions.

Except as discussed in the following paragraph, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government Auditing Standards require us to obtain and report the view of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report. Due to the legislative nature of Management Advisory Report finding number 4, we were unable to obtain views of responsible officials for that finding.

For the areas audited, we identified (1) concerns with the formation and current status of both the Triangle TDD and the ARC TDD, (2) no significant concerns with TDD sales tax rates, collections, and revenue, (3) significant overlap and conflicts between City of Arnold activity and TDD activity in the city, (4) significant concerns related to the ARC TDD's property acquisition procedures, and (5) noncompliance with various legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Arnold and Arnold Transportation Development Districts.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

City of Arnold and Arnold Transportation Development Districts

Introduction

Background

The Arnold Triangle Transportation Development District (Triangle TDD) and Arnold Retail Corridor Transportation Development District (ARC TDD) were established pursuant to Sections 238.200 through 238.275, RSMo (Missouri Transportation Development District Act). There are several ways a TDD can be established in accordance with state law, but all methods will typically include a petition from a local transportation authority (LTA)¹ and an election by qualified voters for the approval of the district.

Arnold Triangle
Transportation Development
District

The Triangle TDD was established in August 2006 by the City of Arnold. The Triangle TDD Board of Directors as of August 31, 2024, consisted entirely of city officials. Those individuals and their affiliation with the city are as follows:

Figure 1: Triangle TDD
Board of Directors

| Name | Title | Appointment Date |
|----------------|------------------------------|------------------|
| Ron Counts | Mayor | August 2010 |
| Dan Kroupa | City Treasurer | August 2010 |
| David Bookless | Assistant City Administrator | September 2022 |
| Gary Plunk | City Councilman | September 2022 |
| Judy Wagner | Public Works Director | September 2022 |

According to the petition for the formation of the Triangle TDD, the district was formed to complete the following transportation projects:

1. The construction of a relocated Church Road.
2. The construction of a new intersection of Church Road, Missouri State Road, and Old Lemay Ferry Road.
3. The construction of a new intersection of Church Road and Big Bill Road.
4. Acceleration and de-acceleration lanes along the south side of Highway 141.
5. The construction of a relocated Big Bill Road.
6. The construction of internal roads within a local Lowe's shopping center.

¹ Section 238.202.1(4), RSMo, defines a local transportation authority as "a county, city, town, village, county highway commission, special road district, interstate compact agency, or any local public authority or political subdivision having jurisdiction over any bridge, street, highway, dock, wharf, ferry, lake or river port, airport, railroad, light rail or other transit improvement or service."



City of Arnold and Arnold Transportation Development Districts Introduction

Neither the City Clerk nor the Triangle TDD Board of Directors could provide completion dates for these projects, but city officials assured us the projects were completed. Based on our observation of the property, all projects appear to be completed.

To finance the costs of the Triangle TDD's projects, a \$3 million note was issued to the developer, THF Realty. The Triangle TDD subsequently established a 1% sales tax to be charged by all businesses within its boundaries to begin paying off this note. In March 2008, in anticipation of the establishment of the ARC TDD, the real property owners within the boundaries of the Triangle TDD unanimously voted to approve the repeal of the Triangle TDD sales tax upon the establishment date of the ARC TDD. The ARC TDD established a 1% sales tax to be charged by all businesses within the boundaries of the district, which included the former Triangle TDD as well as the businesses within the new boundaries of the ARC TDD. The ARC TDD then issued a note to refinance the Triangle TDD note and reimburse the developer for any remaining costs. Based on our review of the Triangle TDD's unaudited financial statements from 2008 through 2023 and the general ledger accounts from 2019 through 2025, no TDD sales taxes were levied simultaneously by the Triangle and ARC TDDs.

With its projects completed and the related debt paid off by the ARC TDD, the Triangle TDD is effectively inactive; the district is not actively working on any projects, collecting any sales tax, or paying off any debt. However, according to conversations with the City of Arnold City Attorney, the Triangle TDD must remain intact due to its involvement with the creation of the ARC TDD.

Arnold Retail Corridor Transportation Development District

The ARC TDD was established in March 2008 as a "regional TDD" through a joint petition by the Triangle TDD and the City of Arnold in accordance with Section 238.207.5, RSMo.² The original goal of the ARC TDD was to expand the reach of the Triangle TDD into other commercial zones in the city that were not originally part of the Triangle TDD boundaries, notably the Arnold Crossroads and Water Tower Place shopping centers. The City Attorney indicated this expansion would have been possible by expanding the Triangle TDD alone, but it was "easier" to create the ARC TDD than to expand the Triangle TDD. See Appendix D for a map of the ARC TDD boundary. Pursuant to state law, the creation of the ARC TDD required the approval of the majority of the property owners within the proposed boundaries. THF Arnold Triangle Development LLC and the Arnold Crossroads LLC owned the majority of the property within the proposed

² Section 238.207.5, RSMo, allows for an alternative method for the establishment of a TDD through the resolution by 2 or more LTAs, in this case the City of Arnold and the Triangle TDD, to jointly petition for the establishment of a new TDD.

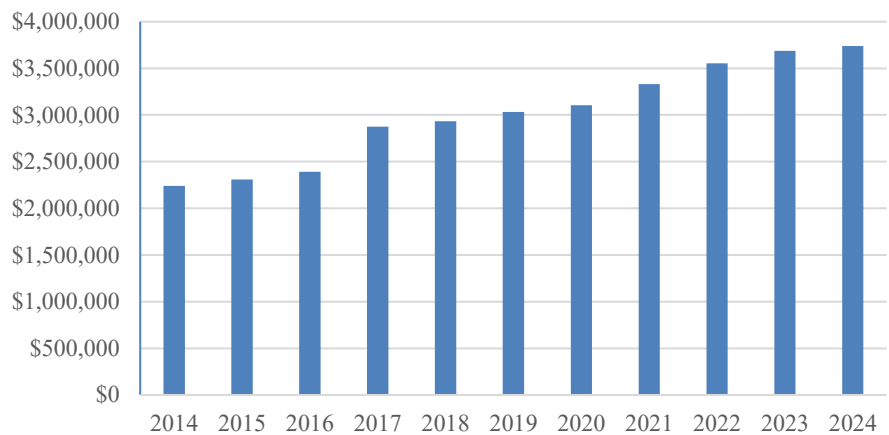


City of Arnold and Arnold Transportation Development Districts Introduction

boundaries of the ARC TDD. See Appendix E for a listing of the property owners within the proposed boundaries of the ARC TDD.

With the creation of the ARC TDD, approximately 63 new businesses were included in the boundaries of the ARC TDD, in addition to the approximate 25 retailers already in the previous Triangle TDD boundaries. With the increased boundaries of the ARC TDD, the district averaged \$2.9 million in annual sales tax revenue between January 2010 and December 2024. Since fiscal year 2014, the ARC TDD has generated a total of approximately \$33.2 million in revenue.

Figure 2: ARC TDD annual revenue, year ended August 31, 2014, through 2024



Source: Prepared by the State Auditor's Office (SAO) using ARC TDD audited financial statements for the years ended August 31, 2014, through 2024.

The ARC TDD Board of Directors consists entirely of city officials, and is nearly identical to the Triangle TDD Board of Directors. Given the ARC TDD's nature as a regional TDD petitioned by 2 LTAs, Section 238.220.3(1), RSMo, requires that the Board consist of "the presiding officer of each local transportation authority within the district and one person designated by the governing body of each local transportation authority within the district." The names, city positions, dates of service, and affiliations with the two LTAs for each board member as of August 31, 2024, are as follows:



City of Arnold and Arnold Transportation Development Districts
Introduction

Figure 3: ARC Board of Directors

| Name | Title | Appointment Date | Affiliation |
|----------------|------------------------------|------------------|-----------------------------------|
| Ron Counts | Mayor | April 2009 | Presiding Officer of Arnold |
| Dan Kroupa | City Treasurer | August 2010 | Arnold Designee |
| David Bookless | Assistant City Administrator | September 2022 | Presiding Officer of Triangle TDD |
| Gary Plunk | City Councilman | September 2022 | Triangle TDD Designee |

According to the petition for the formation of the ARC TDD, the district was created to generate sales tax for the completion of the following transportation projects:

1. A new connection [connector] road between Missouri Highway 141 and Michigan Avenue.
2. Relocation of Church Road.
3. A new intersection at Church Road, Missouri State Road, and Old Lemay Ferry Road.
4. A new intersection at Church Road and Arnold Commons Drive (formerly known as Big Bill Road).
5. Acceleration and de-acceleration lanes along the south side of Missouri Highway 141.
6. Relocation of Arnold Commons Drive (formerly known as Big Bill Road).
7. Landscaping and beautification of the intersection at Missouri Highway 141 and Interstate 55.
8. Improvements to Jeffco Boulevard, Missouri Highway 141, and other publicly accessible roadways, parking facilities, and transportation-related improvements within³ the District.

³ According to the official ballot for the election of the ARC TDD, this project was initially proposed to voters as ". . . and other publicly-accessible roadways, parking facilities and transportation-related improvements benefitting the district [emphasis added]." According to the City Attorney, there was a clerical error in the language of the petition that was corrected in January 2023 to match the language of the official ballot. In accordance with Section 238.257.4, RSMo, the City of Arnold and the Triangle TDD collectively agreed to a modification to the ARC TDD petition, and after approval by the Missouri Highways and Transportation Commission, requested the petition be changed by the Jefferson County Circuit Court.



City of Arnold and Arnold Transportation Development Districts Introduction

Arnold Parkway project and property acquisition for connector road project

Neither the City Clerk nor the ARC TDD Board of Directors could provide completion dates for these projects. The ARC TDD Board confirmed all but 2 of the projects have been completed, stating the connector road between Missouri Highway 141 and Michigan Avenue (Project 1) and various transportation improvements benefitting the district (Project 8) have not been completed.

The connector road between Missouri Highway 141 and Michigan Avenue (connector road project) has been included in the ARC TDD project list from the time of formation. However, to build this road, numerous residential properties outside of the TDD boundary, including the Harry's Lane, Ridge Drive, and Lonestar Drive neighborhoods, would need to be purchased. In addition, several commercial properties inside the TDD boundary, in the Water Tower Place shopping center, would potentially need to be displaced. In September 2022, the scope of the original connector road project was significantly expanded to include an extended road to the south of the district boundary, and was commonly referred to as the Arnold Parkway project.

Much of the ARC TDD's planning for the Arnold Parkway project was discussed during a closed session City Council meeting to avoid allowing the specifics of the project to become public knowledge (see Management Advisory Report (MAR) finding number 2). When the project was eventually publicly announced, there was tremendous backlash from both city residents and the Water Tower Place shopping center owners. Public concerns primarily included accusations of the secretive nature of the project and the acquisition of the necessary property, including concerns about the potentially inappropriate use of eminent domain. During this period of public outcry, the owners of the Water Tower Place shopping center filed a lawsuit against the TDD alleging, among other concerns, that purchase offers for properties were well below fair market value and the TDD was engaging in leasing interference with shopping center tenants. As of January 31, 2026, this lawsuit is still ongoing.

Based on public outcry against the Arnold Parkway project the City Council voted on several resolutions pertaining to the project and the future of the ARC TDD as a whole. The first of these resolutions was to publicly announce the termination of the Arnold Parkway project. The purpose of this vote is unclear because the Arnold Parkway project was not the city's project to cancel. A separate resolution was passed "urging the ARC TDD to purchase property from any interested sellers in the Christy Drive area and authorizing the City Administrator to work with the ARC TDD to facilitate said purchases." The purpose of this vote is also unclear because the ARC TDD does not require city approval to complete projects, and at the time of this vote the ARC TDD had already purchased multiple properties. However, after this vote, the ARC TDD continued to pursue purchase of the necessary properties to construct a road connecting Missouri Highway 141 and Michigan Avenue, as originally planned.



City of Arnold and Arnold Transportation Development Districts Introduction

See MAR finding number 1 for information regarding conflicts of interest from city officials acting in their capacity as TDD Board members to pursue the connector road project. See MAR finding number 2 for additional information regarding transparency concerns with the connector road project. Based on information provided by the ARC TDD Board, there were 50 properties under consideration for purchase to facilitate the construction of the project. As of August 31, 2025, the ARC TDD had purchased 17 of these properties.

Tax Increment Financing Districts within the ARC TDD

The city has approved and administers 2 tax increment financing (TIF) districts that coincide with the ARC TDD boundaries in varying capacities: the Arnold Crossroads Redevelopment Area (Crossroads TIF), and the Arnold Triangle Redevelopment Area (Triangle TIF). The makeup of the Crossroads TIF is unique because as part of that TIF district, the city approved funding additional projects in a smaller subsection of the district. This subsection, the Arnold Crossroads Redevelopment Sub Area (Crossroads Subarea TIF) is separate from the Crossroads TIF in that it has its own projects and debt associated specifically with those projects, but it is not its own standalone TIF district. While the boundaries of these TIF districts overlap with boundaries of the ARC TDD, the TIF districts do not serve any transportation-related purposes. As allowed by state law, 50% of the economic activity taxes (EATs) generated by these retail businesses is paid to the respective TIF district. This includes 50% of any TDD sales taxes generated within the ARC TDD boundaries. The TIF districts also receive the incremental increase in property tax revenues within their boundaries until all TIF debt is paid. According to the city's audited financial statements, the TIF districts have the following debt still outstanding as of August 31, 2024:

Figure 4: TIF debt remaining
as of August 31, 2024

| TIF Redevelopment Area | Debt Balance |
|---------------------------|---------------------|
| Triangle (Series A) | \$ 3,700,000 |
| Triangle (Series B) | 4,624,501 |
| Arnold Crossroads Subarea | 1,159,036 |
| Total | \$ 9,483,537 |

Source: City of Arnold Annual Comprehensive Financial Report for the fiscal year ended August 31, 2024, <<https://www.arnoldmo.org/download/2024-annual-financial-report-acfr>>, accessed on January 13, 2026.



City of Arnold and Arnold Transportation Development Districts Introduction

Scope and Methodology

The scope of this audit included, but was not necessarily limited to, the fiscal year ended August 31, 2024.

Our methodology included reviewing minutes of Arnold City Council meetings, minutes of ARC and Triangle TDD Board of Director meetings, written policies and procedures, financial records, and other pertinent documents. We also interviewed various city and TDD personnel, as well as certain external parties, such as TIF developers and Missouri Department of Transportation personnel speaking on behalf of the Missouri Highways Transportation Commission (MHTC).

To evaluate the formation and current status of the TDD projects, we reviewed copies of the Triangle TDD and ARC TDD petitions that the City of Arnold filed for the establishment of the respective districts. These petitions included background information and history leading up to the formation of the districts, and listed the approved projects of the districts. During multiple meetings with the city and TDD Boards throughout the audit, we inquired about the status of the approved projects and the scope of the last 2 uncompleted projects. See MAR finding number 1 for more information about the uncompleted projects.

To evaluate the history of the Triangle TDD and ARC TDD tax rates, we reviewed various district resolutions and petitions to establish and repeal the sales taxes. Additionally, to evaluate the total money collected and expected future revenue of the ARC TDD, we received a sales tax history report for the ARC TDD from the Missouri Department of Revenue.

To evaluate the overlap between city activity and TDD activity we interviewed ARC TDD Board members and City Council members to determine the extent of communication between the two entities. Additionally, we asked the City Council about its criteria for appointing and removing ARC TDD Board members. We also met with the city Finance Director regarding the process for how the ARC TDD receives sales tax revenue given the overlapping TIF districts.

To evaluate the ARC TDD's procedures for acquiring property, we interviewed the ARC TDD Executive Director and various Board members to obtain an understanding of the history and timeline of the property under consideration for purchase. We also reviewed contracts with the MHTC and the agreement with a third-party acquisition company, and performed testing over the property purchased. As part of our testing, we ensured both a seller statement and buyer statement were signed to approve the transaction, and we compared the appraisal prices of homes to the actual price the TDD paid to ensure sellers were paid an appropriate price.

To evaluate the City of Arnold's, Triangle TDD's, and ARC TDD's compliance with certain legal provisions, we interviewed various Board



City of Arnold and Arnold Transportation Development Districts Introduction

members and analyzed Section 238.220, RSMo, for various compliance requirements. As part of this evaluation we performed testing to ensure the retailers within the district boundaries were in compliance with Section 238.280, RSMo, which requires the retailers in the district's boundaries to prominently display the rate of TDD tax imposed. See MAR finding number 2 for more information.

Former City Officials

Several city officials/TDD affiliates have since left the City of Arnold after our main audit scope ended (August 31, 2024). Those individuals and their former titles are as follows:

- Ron Counts, Mayor/ARC and Triangle TDD Board member
- Brian Richison, City Administrator/TDD Executive Director
- David Bookless, Assistant City Administrator/ARC and Triangle TDD Board member

Because these individuals were present at the end of our audit scope, we will refer to their positions as if they were current throughout the report.

Subpoenas Required

We initially encountered a significant lack of cooperation by the City of Arnold and both the Triangle and ARC TDD Boards, requiring us to issue 3 subpoenas to city/TDD personnel to compel 2 individuals to provide testimony and/or produce records and documents related to their testimony. See Appendixes A and B.

A summary of significant events in our efforts to obtain information for the audit is as follows:

On October 24, 2024, at the beginning of the audit, we emailed the ARC TDD Executive Director to set up a time to meet for an audit entrance meeting with the TDD Board. Correspondence commenced, and an entrance meeting to discuss the TDDs was scheduled for November 6, 2024.

On November 1, 2024, we informed the City Administrator (who was also serving as the ARC TDD Executive Director) of our intent to have a separate entrance meeting with the City of Arnold, and requested to be placed on the agenda for a closed session meeting with the Mayor and City Council on November 7, 2024. We were told that the Mayor and City Attorney did not want to schedule a meeting with the Mayor and City Council until the City Administrator (ARC TDD Executive Director) had a chance to have an introductory meeting with us.

On November 4, 2024, we submitted a request through the City of Arnold MyGov portal to meet with the Mayor. We subsequently asked the City



City of Arnold and Arnold Transportation Development Districts Introduction

Administrator (ARC TDD Executive Director) to also request the Mayor (who was also serving as a director for the ARC and Triangle TDDs) contact us directly so we could set up a meeting. The City Administrator indicated he would pass along our request.

On November 6, 2024, we held our entrance meeting regarding the TDDs. Despite our request to entrance with the TDD Board, no Board members were present during the meeting. However, the City Administrator (ARC TDD Executive Director), the City Attorney, and the developer associated with the Arnold Acquisition Company attended. Even though we used multiple forms of communication to ensure the Mayor, who served on both the Triangle TDD and ARC TDD Board, knew we were requesting his attendance, the Mayor did not attend. These forms of communication included using the MyGov Portal on the city's website (request ID #24-000124), which was marked as completed by the city, and requesting the City Administrator to pass along our request to the Mayor.

On November 7, 2024, we mailed a letter to the Mayor signed by the State Auditor informing the Mayor about our audit and the concerns leading up to its start. The letter provided contact information for the audit crew to the Mayor so he could reach out to us. Despite this letter, the Mayor did not contact us and did not attend any of the initial meetings during the start of the audit.

On February 18, 2025, we requested, through the City Administrator, that the Mayor be available for an upcoming meeting that was scheduled for February 26. Leading up to the meeting the City Administrator indicated he was still waiting to hear from the Mayor. We did not receive any further word about the Mayor's availability, and the Mayor was not present at the February 26 meeting. When we asked the City Administrator why the Mayor was not attending these audit meetings when we had specifically requested his appearance, the City Administrator indicated it was the Mayor's decision.

In addition to our difficulties in securing a meeting with the Mayor in his capacity as an ARC TDD Director, requests during the course of the audit to the ARC TDD to provide information on properties purchased, as well as information on the TDD's bond repayment schedule were not fulfilled. This lack of response from the ARC TDD necessitated the use of subpoenas for the requested information and meeting with the district's Executive Director.

On March 10, 2025, we issued 2 subpoenas: one to Bryan Richison in his capacity as TDD Executive Director, to obtain the TDD records that had not been provided to us in a timely manner; and one to Mayor Counts to compel him to appear for an interview. These subpoenas are included in this report at Appendixes A and B, respectively. Subsequent to the service of our subpoena, on March 18, 2025, the Mayor participated in an interview we conducted with the ARC TDD Board.



City of Arnold and Arnold Transportation Development Districts Introduction

In addition to the lack of cooperation by the city and the Mayor throughout the start of the audit, on February 28, 2025, we requested various city meeting minutes regarding property acquisitions for the connector road project. This request ultimately resulted in litigation which is described in more detail below.

On March 20, 2025, while attending a City Council meeting to interview the City Council on various other topics pertaining to the audit, the City Attorney indicated we could expect to receive the requested meeting minutes shortly. However, the City Attorney indicated that parts of the minutes would be redacted because "that information belongs to the city."

On March 21, 2025, the City Administrator (ARC TDD Executive Director) provided the requested meeting minutes via email. As previously indicated by the City Attorney, certain sections of the minutes were redacted. Beyond the explanation that was given during the March 20, 2025 meeting, no further explanation as to why the minutes were redacted was provided at that time.

On March 24, 2025, we asked the City Administrator (ARC TDD Executive Director) for clarification regarding the redactions. We asked for him or the City Attorney to expand on the reason for providing us with redacted closed meeting minutes, and asked why unredacted minutes were not provided.

On March 25, 2025, we received an email response from the City Administrator (ARC TDD Executive Director) with a quote from the City Attorney stating the following:

The closed records included individual employee actions and litigation strategy (unrelated to the TDD) that is closed and confidential. It is my opinion that disclosing that information to a third party violates the Sunshine protections for the individual employees and potentially compromises the attorney/client privilege (releasing confidential information destroys the attorney-client privilege).

The email further clarified that the City Attorney "did not redact anything related to the [connector road] project. The redactions were discussions and votes on other closed session items that were not related to the [connector road] project."

On March 27, 2025, we sent an additional audit request to the City Administrator (ARC TDD Executive Director) wherein we requested the previously provided minutes without any redactions, other than redactions of attorney-client materials. Specifically we cited Chapter 610, RSMo, which does not shield closed records from inspection by the State Auditor.



City of Arnold and Arnold Transportation Development Districts Introduction

The City Administrator subsequently asked for a specific citation to provide to the City Attorney regarding our authority to inspect the closed records without redaction.

On March 31, 2025, we provided specific citations regarding our authority. Specifically, Sections 29.130,⁴ 29.225,⁵ and 610.010,⁶ RSMo, were provided.

On April 3, 2025, we received an email with a copy of the aforementioned lawsuit filed by the City of Arnold against the SAO. The lawsuit alleged that the previously cited statutes are not applicable or are otherwise not appropriate to authorize us to obtain closed records.

In response to this lawsuit, we issued a subpoena to the City Administrator, requiring the records to be provided by May 1, 2025.

On May 1, 2025, the subpoenaed records had not been provided to us. In lieu of digital copies, we went to the Arnold city hall to confirm whether the city would comply with our subpoena and met with the City Administrator. According to the City Administrator, due to the pending litigation, the city had been advised to not comply with our subpoena and instead wait for a judge to make an official ruling.

Various legal actions and correspondence subsequently took place over several months after this meeting with the City Administrator. Eventually, a confidential whistleblower⁷ provided us the unredacted minutes, and we could review the information the city redacted.

On August 5, 2025, a court hearing occurred regarding the case between the city and the SAO. During this hearing, attorneys for the SAO communicated to the court that copies of the records in question had been received from a whistleblower rendering the case moot, and the case was ultimately dismissed.

⁴ Per Section 29.130, RSMo, "The state auditor shall have free access to all offices of this state for the inspection of such books, accounts and papers as concern any of his duties."

⁵ Per Section 29.225, RSMo, "The auditor or his or her authorized representatives may audit all or part of any political subdivision or other governmental entity."

⁶ Per Section 610.010, RSMo, closed records are defined as "any meeting, record, or vote closed to the public."

⁷ The city/TDD response to the audit findings included a reference to the whistleblower and made allegations as to the whistleblower's identity. This information was redacted from our final report. In addition, the city/TDD response states the SAO "failed to review" Section 105.1500, RSMo, related to the whistleblower. This is inaccurate. Section 105.1500, RSMo, is wholly inapplicable in this instance since there has been no disclosure of "personal information" and does not apply to the SAO in our role as "public agency investigators".



City of Arnold and Arnold Transportation Development Districts
Introduction

Additional Limitation
Encountered

On September 10, 2025, we sent an email to Gilmore & Bell to request a meeting to ask various questions about its representation of the ARC TDD. In accordance with Rule 4-1.9 of Missouri Rules of Professional Conduct, Gilmore & Bell was not allowed to speak about its representation of the TDD without prior consent by the TDD. We subsequently called a City Councilmember who also served on both the Triangle TDD and ARC TDD Boards to ask for this consent. We did not receive a response from this Councilmember.

On September 15, 2025, we attempted to contact this councilmember again via an email explaining the situation, and requested that he communicate with the TDD Board to allow Gilmore & Bell to speak with us. We received a response on September 19 and were told to, instead, contact the City Mayor or City Attorney about this matter.

On September 22, 2025 we emailed the Mayor to request that the TDD Boards give informed consent to Gilmore & Bell to speak to us and freely answer our questions. Correspondence continued over several weeks with the Mayor over various phone calls. On October 14, 2025, we received a phone call from the Mayor informing us that the TDD Board had decided not to give Gilmore & Bell consent to speak to us. Despite numerous emails and phone calls explaining the purpose of our meeting with the TDD's former bond counsel, the Mayor claimed he did not understand why it was necessary for us talk to Gilmore & Bell, and he did not want the audit to be delayed because of this.

City and TDD officials did
not meet with auditors to
discuss the draft report

Despite being part of our standard end-of-audit process, City and TDD officials did not meet with auditors to discuss the draft audit report. During end-of-audit meetings the audit team discusses the confidential draft report with the officials of the audited entity in closed session. These meetings allow officials to voice any disagreement with the accuracy of information contained within the draft report and provide evidence to support any potential corrections needed. These meetings are allowed to be closed to the public pursuant to Sections 610.021(14) and (18), RSMo.

Auditors contacted Mayor Moritz on February 9, February 12, February 19 and February 24 to attempt to set up an end-of-audit meeting to discuss the report. The mayor stopped responding to our inquiries for several weeks. As a result, the draft report was sent electronically to the Mayor as well as the City Council on March 4. The mayor and the council were notified of our continued request to hold an end-of-audit meeting, and that any meeting must occur before and their responses to the audit findings were due by April 3. The April 3 deadline is in compliance with Section 29.200.12, RSMo, which allows 30 days for any responses to report recommendations from the receipt of the draft report. On March 4 the mayor requested an exit conference on April 16, which would have been 66 days after our first attempt to set the meeting. To prevent further delays in releasing the report to the public, the SAO declined this request on March 5 and reiterated our request for an exit



City of Arnold and Arnold Transportation Development Districts Introduction

meeting and responses prior to the April 3 deadline. The City and ARC TDD made no additional requests for an exit meeting. As a result, this report is being issued without an exit meeting.

City of Arnold and Arnold Transportation Development Districts Management Advisory Report State Auditor's Findings

1. Conflicts of Interest Resulted in TDD Taxes Funding City Developments

Conflicts of interest have resulted in the City of Arnold inappropriately using the taxing authority of the ARC TDD to fund city developments. The TDD has continued to collect sales taxes despite not having any outstanding debt and without having a viable project to justify the TDD's continued existence. TDD taxes are currently being used to pay off the city's tax increment financing (TIF) debt, and have been used to purchase property outside of the TDD boundaries for the purposes of furthering the city's development goals, which are unrelated to the TDD and are an improper use of TDD resources. During the Year Ended August 31, 2024, the ARC TDD collected \$3,676,593 in sales tax revenues. See Appendix C for additional financial information for the ARC TDD.

Conflicts of interest exist

The City Attorney was significantly involved in the creation of the Triangle TDD, as well as the ARC TDD; and has also maintained significant involvement with the ARC TDD, despite not having a formal role in the district's governance structure or formally representing the district as the district's attorney. In addition, the Triangle TDD and ARC TDD were created and structured to ensure city officials maintained control of district decisions, rather than having property owner or citizen representation on the board. Finally, city representatives and the City Attorney have informally involved private developers in district decisions. These conflicts have resulted in decisions being made with TDD funds that are not in the best interest of the district or taxpayers.

Figure 5: Roles of City Officials Involved in TDD Operations

| Name | City Official/Developer | Triangle TDD Involvement | ARC TDD Involvement |
|----------------|--------------------------------|---|---|
| Bob Sweeney | City Attorney | No official role. Assisted the city in establishing the district. | No official role. Assisted the city in establishing the district. |
| Ron Counts | Mayor | Board Director, Assistant Treasurer | Director |
| Dan Kroupa | Treasurer | Board Director, Treasurer, Assistant Secretary | Director |
| David Bookless | Community Development Director | Board Director and Chairman | Director |
| Gary Plunk | Councilmember | Board Director and Secretary | Director |
| Judy Wagner | Public Works Director | Board Director and Vice Chairman | N/A |
| Brian Richison | City Administrator | Executive Director | Executive Director |

City Attorney involvement creates various conflicts

The City Attorney is not the official legal counsel for the ARC TDD, nor is he an official part of the board. However, he frequently involves himself with district matters and advises the TDD board on various legal matters while billing the city for his legal work on behalf of the TDD. For example, the City Attorney drafted a contract between the ARC TDD and the Arnold Acquisition Company (AAC) for property acquisition and engineering services on the connector road project and billed the city for this work. However, the City Attorney's client (the city) was not part of this contract, so



City of Arnold and Arnold Transportation Development Districts Management Advisory Report - State Auditor's Findings

involvement by the City Attorney was not appropriate. Furthermore, the only entities that signed the contract were the ARC TDD Chairman and an authorized signer from the AAC, further demonstrating that it was inappropriate for the City Attorney to be involved in in this matter. AAC is owned by a developer who is currently involved in existing development projects within the district and could benefit from future city developments.

In another example of the City Attorney's inappropriate involvement in ARC TDD business, the City Attorney attended a State Auditor's Office (SAO) meeting with the ARC TDD Board, speaking on behalf of the district, and answering many of our questions when the Board members did not know the answers directly.

The City Attorney also prepared an offer letter sent by the ARC TDD to the owner of the Water Tower properties. The purpose of this letter was to inform the owner about the ARC TDD's intent to acquire the property by eminent domain because this property would be needed for the connector road project. The purchase of this property would have allowed the city, through the ARC TDD, to control already active commercial property and would have allowed the city to control its potential future redevelopment.

From June 24, 2024, through November 1, 2024, the City Attorney billed the City for time on 22 separate days he spent working with Thompson Coburn, LLP attorneys on TDD issues. We inquired with Thompson Coburn, LLP, the law firm engaged by the district for legal counsel, regarding the extent of legal advice requested by the TDD. The firm's attorney indicated the TDD had only asked questions about who was required to be on the board, and that so little time had been spent since the firm's engagement in July 2024, that the law firm had not billed the TDD for those questions. The firm's response appears to conflict with the City Attorney's documentation of hours billed for TDD purposes. Documentation supporting the City Attorney's billings shows the City Attorney was working with the TDD's counsel regarding TDD matters generally as well as regarding a potential TDD bond issue, though no bond issue was ever finalized. It remains unclear why the City Attorney was working on behalf of the ARC TDD and billing the city. It is also unclear why Thompson Coburn, LLP indicated no significant work for the ARC TDD had been performed. We requested a follow-up discussion with the Thompson Coburn, LLP Attorney representing the ARC TDD to seek additional clarification, but no response was received.

The City Attorney's active involvement with the district, while also representing the City of Arnold, creates a clear conflict of interest between the two parties and is not in accordance with rules of professional conduct for attorneys established by the Missouri Supreme Court. The city and the TDD are distinctly separate political subdivisions, with different purposes. According to the Missouri Supreme Court Rules of Professional Conduct 4-1.7, "there is a significant risk that the representation of one or more clients



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

City officials use ARC
TDD taxing authority to
purchase properties
outside of district
boundaries without
specific, viable plans

will be materially limited by the lawyer's responsibilities to another client, a former client, or a third person or by a personal interest of the lawyer."⁸

City officials, acting in their capacity as TDD Board members, have continued to use the ARC TDD and its taxing authority to pursue the connector road project without having a viable plan to complete the project, resulting in TDD taxes being used to further city development goals. Additionally, city officials acting in their capacity as ARC TDD Board members have not entered into the required agreements with the city regarding this project in violation of state law. Without viable plans and without the required agreements with the city, the connector road is not a legitimate project under state law.

The connector road project is the first of the enumerated ARC TDD projects, with the goal to build a road that connects Michigan Avenue and Missouri Highway 141. To complete this project, the district would need to purchase various residential properties outside of the district's boundaries. Pursuant to Section 238.247, RSMo, the TDD has no means of forcing the sale of property via eminent domain in the absence of the city's approval. The ARC TDD board was initially reliant on the city's eminent domain authority when it began purchasing properties, even though the City Council had not formally approved the necessity of the use of eminent domain. Despite this lack of formal approval by the City Council, the TDD board assured the developer the properties would be acquired, even if using eminent domain was necessary. Specifically, the contract reads, "with respect to any Property Rights that AAC determines that it will be unable to acquire . . . the AAC shall so notify the District in writing and AAC shall, upon written direction from the District, pursuant to a resolution of the board of the District, initiate eminent domain proceedings in the name of the City to acquire such Property Rights. . . ."

Public concern resulted in
city withdrawing eminent
domain authority, making
project not viable

When the expanded connector road project (also referred to as the Arnold Parkway Project) was eventually communicated to the public in August 2024, there was significant outcry about the project, both from the citizens whose properties were under consideration for purchase, and from other concerned citizens in and around the city. Based on the criticism from citizens, the City Council began to withdraw its support for the use of eminent domain by the TDD. There was no resolution or uniform decision by the Council to rescind this support because such support was never formally voted on or approved by the Council; however, according to the ARC TDD Executive Director, councilmembers notified him informally they had changed their minds, and if a vote had taken place he believed it would have failed.

⁸ These rules can be found at <<https://www.courts.mo.gov/page.jsp?id=198912>>, accessed on August 8, 2025.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

Without the city's eminent domain power to purchase the necessary properties, the district's ability to complete the connector road project is significantly reduced, making the project essentially dead. The ARC TDD is now limited to purchasing property on a voluntary basis only from willing sellers. Without the use of eminent domain, the ARC TDD Executive Director estimated there is approximately a 70% chance the connector road will be built in some capacity before 2048, when the district is legally required to be abolished. However, he stated circumstance may change based on the amount of property the district can obtain.

No current schedule or plans and specifications for the connector road project

According to an agreement between the ARC TDD and the Missouri Highways and Transportation Commission (MHTC), construction on the connector road project was originally scheduled for completion in Spring 2011. Additionally, according to the ARC TDD Executive Director, there has not been any communication with the MHTC about the current status of the connector road project for many years.

As of June 2025, construction had not started, and the district did not have a plan or design regarding the ending point, or alignment of the connector road. For example, the TDD board could not provide plans for how the road might be constructed or what specific properties were necessary for its completion. When asked, no one on the TDD Board could draw a line with a starting point and ending point of even one possible alignment of the road. Despite this, the TDD has actively been acquiring residential properties and has made attempts to acquire commercial properties for the purposes of building the connector road. According to conversations with the ARC TDD Board, various members indicated they each might have their own idea of what shape the road could take, but they are waiting to see what properties they have available to them.

The development of formal plans and specifications would allow the district to ensure TDD revenues are used for reasonable purposes that align with district goals and projects. Without formal plans, TDD resources are likely being used to purchase properties that are not necessary for district goals.

Undefined vague wording allows the district to pursue any city transportation project

The ARC TDD was created with vague undefined "project" wording that allows the ARC TDD to justify funding projects outside district boundaries.

When the ARC TDD was created, the city petitioned the court for the TDD to have 8 projects. The 8th project included a vague all-inclusive phrase by stating "improvements to . . . other publicly accessible roadways, parking facilities and transportation-related improvements **within** the District [emphasis added]." In January 2023, as the district was beginning to more actively pursue the connector road project, the project description was later



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

changed⁹ to state "improvements to . . . and other publicly accessible roadways, parking facilities and transportation-related improvements **benefitting** the District [emphasis added]."

According to conversations with the City Attorney, this change was necessary because of a clerical error in some ARC TDD files. The original ballot for the creation of the ARC TDD read as "benefitting the District," but other records read as "within the District." The city felt that correcting the files to accurately represent what was voted on would be appropriate. The city also admitted that the plans for the connector road project would include area that is not within the boundary of the TDD. Therefore, the city believed making this correction would further support the legitimacy of its plans.

By changing the definition of the ARC TDD's projects to improvements "benefitting the District," the City Attorney and TDD Board could reasonably argue any transportation project not defined in the formation documents, inside or outside of the district, could have a chance to benefit the ARC TDD. This language is broad enough that virtually anything could be justified, and the TDD could remain established until 2048 when it is required, by law, to dissolve.

While the state's TDD law does not require projects to be strictly defined, the use of such vague language to define district purposes and goals is not in the public interest. See MAR finding number 4 for additional information on TDD laws and suggested improvements.

TDD taxes are being used to purchase property to support city development goals, in violation of TDD law

Based on discussions with the City Attorney and the ARC TDD Board, benefitting the ARC TDD is not the primary purpose of the connector road project. Rather, TDD funds are being used to purchase properties that may or may not be necessary for the construction of the connector road, but are part of a larger plan to redevelop the residential area adjacent to the district. Using TDD funds to purchase property for non-transportation purposes is not an allowable use of TDD funds.

The City Attorney indicated he believes the purchase of the property is a good investment for the city, even if the TDD does not finish the project. The City Attorney further indicated the city has desired to remove the residential houses on these properties since at least the start of the ARC TDD in 2007 because they are in an ill-suited location compared to other residential houses and commercial areas in the city. Discussions with the ARC TDD Board were consistent with this position, indicating the motivation to purchase and demolish the houses in the residential area in question was due to limited

⁹ In accordance with Section 238.257.4, RSMo, "the board may modify the project previously approved by the district voters, if the modification is approved by the [MHTC] and, where appropriate, a local transportation authority."



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

room for the city to expand, and this area represented an opportunity to add additional retail space inside the city.

Section 238.205, RSMo, states the purpose of a TDD is "to fund, promote, plan, design, construct, improve, maintain, and operate one or more projects...". "Project" is further defined by Section 238.202(5), RSMo, as "... any bridge, street, road, highway, access road, interchange, intersection, signing, signalization, parking lot, bus stop, station, garage, terminal, hangar, shelter, rest area, dock, wharf, lake or river port, airport, railroad, light rail, or public mass transportation system and any similar or related improvement or infrastructure." Additionally, state law provides a method for cities to fund city developments. Section 94.577, RSMo, allows cities to impose a sales tax of up to 1/2 of 1% to fund capital improvements. This would require city-voter approval.

District did not enter into maintenance agreement with city as required by state law

The TDD Board has not entered into an agreement with the city as required. Section 238.225, RSMo, requires the district and the city to enter into a mutually satisfactory agreement regarding plans and specifications as well as development and future maintenance of a project before the TDD begins funding the project. In the case of the connector road project, the TDD has already begun funding the project by acquiring properties for demolition. This law is intended to ensure the local transportation authority (LTA), in this case the city, approves of the plans and specifications of the project and has the ability and means to maintain a project before it is started. This agreement also formalizes the LTA's approval of the project and its construction. Without this agreement in place, a district is not legally allowed to begin funding or construction of any project.

Considering there are no plans and specifications for the connector road project and the district has not entered into the required agreement with the city, the project is not legitimate under state law.

Conclusion regarding the connector road project

The use of Missouri's TDD law to fund an undefined project, outside of the district's boundaries, without a proper agreement with the LTA that will take over the project is not in the public interest or in compliance with state law. State TDD law does not expressly limit TDD projects to district boundaries; however, allowing TDD projects to be completed outside such boundaries creates conflicts and essentially creates a sales tax on citizens for general transportation purposes without a public vote, which is not an appropriate use of the state's TDD law. Without defined project plans and without the required pre-approval of the MHTC the connector road project has the appearance of a city development under the guise of a TDD project. Additionally, in this case, the primary purpose of the project is to advance other city development interests that are not transportation related, in violation of state law. Finally, it is not compliant with state law to spend money to purchase properties related to the project without having a project maintenance agreement in place between the city and the TDD.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

TDD taxes are being used to pay non-transportation related TIF debt

City officials, in their capacity as ARC TDD Board members, entered into an agreement to use district sales tax revenue to pay ongoing non-transportation related City TIF debt. From June 30, 2009, through June 30, 2025, the ARC TDD unnecessarily paid \$3.3 million¹⁰ of the City's TIF debt without any benefit to the district. Further, city officials, acting in their capacity as ARC TDD Board members, entered into an agreement to prevent the ARC TDD from abolishing until this city debt is paid in full.

In 2009, the city issued revenue bonds for the Arnold Triangle Tax Increment Financing project (ATTIF) and inappropriately allocated TDD revenues to pay off this TIF debt. According to the TIF revenue bond official statement, "TDD Revenues" are defined as one of the sources of revenue used to repay these bonds. The official statement further defines "TDD Revenues" as:

. . . the sum of \$200,000 in each calendar year of revenues generated within the [Arnold Retail Corridor] Redevelopment Area by a tax imposed by the [Transportation Development] District to the extent appropriated by the District for the payment of debt service on the Bonds.

The development agreement and TIF bond statement contain conflicting information related to whether the payments from the TDD to the ATTIF are required. The bond statement agreement indicates, "There is no legal obligation of the [ARC TDD] to appropriate TDD Revenue. . ." This clause seems to contradict the development agreement, which otherwise requires that TIF deposits be made from TDD revenues.

Payment of city TIF debt benefits the City, not the ARC TDD

Based on discussion with city officials, in their capacity as the ARC TDD Board members, the payment of city TIF debt does not benefit the TDD, but these payments were needed for the TIF deal to work.

Rather than benefitting the ARC TDD, the district's agreement to pay a portion of the city TIF debt benefits the city.

City officials have no interest in stopping these payments

Based on discussions with the ARC TDD Board and the City Attorney, this agreement was written before there were any historical statistics about the ARC TDD sales tax revenue amounts. They believed the intent of writing this into the agreement was for a potential situation in which the ARC TDD had no money, and therefore, could not afford to pay the monthly payment. The City Attorney did not believe this absolves the district of all obligation as the wording would suggest because the TDD generates sufficient revenue to afford the payment to the TIF.

¹⁰ This amount is in addition to the TDD's portion of Economic Activity Taxes (EATs) owed to the TIF district.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

City officials acting in their capacity as ARC TDD Board members have not taken any action to investigate if the ARC TDD is legally obligated to pay the ATTIF debt.

Life of the ARC TDD
extended to pay TIF debt

City officials, working in their capacity as ARC TDD Board members, entered into a development agreement between the city, ARC TDD, and Triangle TDD agreeing to keep the ARC TDD in place until the City's ATTIF debt is paid in full. The agreement states:

When all TDD Notes contemplated by this Agreement have been issued and all [ARC] TDD Obligations and [AT]TIF Bonds have subsequently been repaid in full, the Board of Directors of each of the Triangle TDD and the ARC TDD shall take such actions as may be necessary to cause the termination of the Triangle TDD and the ARC TDD, respectively, and the respective Boards of Directors shall not take any action to so terminate the respective district prior thereto.

Conclusion regarding TIF
conflicts

The TDD Board's decision to agree to inappropriately pay city TIF debt for non-transportation related project costs in violation of state law provides no benefit to the district, and redirects TDD revenues away from potentially legitimate TDD projects. In addition, agreeing to keep the TDDs in place until the city's TIF debt is repaid, without consideration of whether the TDD would otherwise continue to exist for its intended purposes, is an unauthorized use of TDD revenue and extends the TDD sales tax beyond its intended life.

According to state law, TDDs are considered political subdivisions.¹¹ As such, the governing board has a fiduciary responsibility to act in the interests of the TDD. However, based on the makeup of the ARC TDD Board, the City of Arnold effectively controls the ARC TDD Board. All directors are city officials either directly required to be on the Board by statute or designated to be on the Board by other city officials. Rather than acting on behalf of the district, these officials acted in the best interest of the city.

Overall Conclusion

The City of Arnold has abused the state's TDD law to generate tax revenue without voter approval, and used TDD tax revenue to fund city development interests not related to the established TDDs in violation of state law. City officials, in their capacity as ARC TDD Board members, as well as the City Attorney, who has no formal role with the district and is billing the city for legal services incurred on behalf of the district, have made agreements on behalf of the ARC TDD that are not in the best interest of the district. The TDD has not been abolished despite not having any outstanding debt or remaining viable projects. City officials, in their capacity as TDD Board

¹¹ Section 238.205.2, RSMo.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

members, have instead maintained the existence of the district and its sales tax to benefit city development interests.

Recommendation

The ARC TDD Board begin taking the necessary steps to abolish the district, and rescind the district's sales tax. The Board should also evaluate any payments made from TDD funds to ensure they are in the best interest of the district, including halting any unnecessary payments to the city's TIF fund.

The City Council consider using methods already prescribed by state law for funding city development projects and discontinue using TDDs in this manner. Additionally, the City Council should stop paying the City Attorney for legal services incurred on behalf of the TDD.

Auditee's Response

The City of Arnold and the ARC TDD disagreed with our recommendations. The City of Arnold's and ARC TDD's full response is included in Appendix F.

Auditor's Comment

The city/TDD response contains multiple examples of misleading information in an effort to confuse the issues presented in this report. The response suggests the SAO failed to assess the effectiveness and efficiency of the Arnold TDDs. This commentary clearly misrepresents the objectives of our audit and does so in an attempt to discredit the audit's findings. The audit objectives focused on the economy and efficiency of the city and TDD's management of the district. The objectives of our audit are clearly defined in the State Auditor's Report section.

The city/TDD response attempts to confuse the issue of the use of TDD revenue for TIF purposes by arguing a point the report does not make. The response correctly points out that state TIF law requires a portion of TDD taxes, since they are included in the definition of economic activity taxes (EATs), to be paid to the TIF fund. However, the report does not argue that they should not be. Rather, the report takes issue with the TDD's payment of *additional* TDD taxes to the TIF fund above what is required by law. The city/TDD response does not address the appropriateness of this issue other than saying bond counsel approved it. As the report states, paying off TIF debt sooner does not provide any benefit to the TDD.

The city/TDD response also accuses the auditors of not interviewing bond counsel in an attempt to disparage our conclusions on the appropriateness of using TDD revenues to pay TIF debt. However, we requested to interview bond counsel and were prevented by the Mayor from doing so. We added an additional subsection to the Methodology section to provide additional information about this limitation imposed by the city.

The city/TDD response also contains misleading information related to what TDD projects remain unfinished. The response attempts to question the accuracy of the report by stating there are 3 unfinished projects instead of the 2 unfinished projects mentioned in the report. The 2 projects mentioned in the



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

report are the connector road project (project 1) and the catch-all project (project 8). During an interview with the TDD Board and the City Attorney those 2 projects were confirmed to be the only 2 unfinished projects. During the remainder of the interview, neither the City Attorney nor the ARC TDD officials present made any mention of another unfinished project. Additionally, during our pre-exit meeting with the city and the TDD Board, we stated there were 2 unfinished projects, the connector road and the catch-all project. It was not until after the City Attorney, City Council, and TDD Boards reviewed our draft report and the implications of those statements that they mentioned this third unfinished project. The third project in question is for the "landscaping and beautification of the intersection of Highway 141 and Interstate 55" (project 7). A detailed plan of this project has not been communicated, and given that the TDD has been collecting tax revenue for approximately 18 years and has yet to complete this project, it appears unlikely the TDD Board intends to complete it. In the event the TDD Board genuinely intends to complete this project, the TDD has sufficient funds on hand to do so. The status of this project does not impact our audit conclusions.

The city/TDD response also contains additional detail of needed improvements that fall under project 8, including improvements to the intersections surrounding the TDD to improve safety. These projects appear reasonable; however, it is unclear why these projects have not already been completed rather than the TDD investing significant resources acquiring properties outside of its boundaries that may or may not be necessary for TDD purposes. This lack of progress gives the appearance that these projects are mentioned as justification for extending the life of the TDD and continuing to collect additional tax revenue from citizens rather than the projects being a priority for the district.

Finally, the city/TDD response attempts to justify the conflicts created by the City Attorney's involvement by stating the City Attorney's hourly rate is 1/2 to 1/3 of bond counsel's rate. It is unclear how reduced hourly rates would justify conflicts of interest, willful misstatements made to the auditor, and improper agreements drafted by the City Attorney. While some level of coordination or discussion of TDD matters is understandable considering the city is a LTA, the City Attorney billing the city at least 340 times from 2022 to 2024 for TDD-related purposes is excessive, and is further evidence of excessive involvement by the City Attorney and the city in TDD matters.

2. Lack of Transparency to the Public

City officials, acting in their capacity as the petitioner for the ARC TDD and as ARC TDD Board members, have intentionally designed multiple aspects of the ARC TDD to limit transparency to the public, including (1) certain aspects of the creation of the district, (2) the City Council holding "show" votes on TDD matters, (3) the use of deceptive practices related to property acquisition, (4) the inappropriate use of closed session meetings by the City Council to discuss TDD matters, and (5) TDD Board discussions held in open sessions that were not documented in TDD Board meeting minutes. In



City of Arnold and Arnold Transportation Development Districts Management Advisory Report - State Auditor's Findings

addition, TDD taxes assessed and collected have not been disclosed at the retailer level, as required by state law. As a result, the public has insufficient information about district decisions and how tax revenue is being collected and used.

No resident insight or input on the creation and governance of the ARC TDD

The boundary of the ARC TDD was intentionally drawn to exclude the residential area between the current district boundary and Highway 141. See Figure 6, Area A on the following map. This area includes the properties needed to complete the connector road project. Since this area was excluded from district boundaries, the residential property owners in this area did not have a vote in the creation of the district. The City Attorney stated, "the TDD did not want additional parties participating in a commercial development process, so they were strategically carved out [from the boundaries] so as to limit the number of voters in the district."

Figure 6: Map of TDD boundaries



A: General location of the connector road and area of property acquisition in question.

Source: Map created by SAO based on TDD origination documents.

In the event the TDD boundaries contain no registered voters (as was the case for the ARC TDD), state law¹² establishes the owners of real property located within the district as voters for the creation of the district. For the ARC TDD, 2 developers own 81% of the property within the district boundaries, and were in the process of developing the property when the district was established.

¹² Section 238.202.2, RSMo, indicates qualified voters within a district proposed or established, which has no persons residing therein who have registered to vote, shall be the owners of all real property located in the district.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

City Council conducted "show" votes about the TDD which misled the public in attempt to appease them

The properties under consideration for purchase to complete the connector road project are the same houses that were deliberately excluded from the district. These residents were not allowed the opportunity to vote on their inclusion in the district, even though the district originally intended to acquire their homes using eminent domain if necessary and is still attempting to purchase their homes despite being located outside the boundaries of the ARC TDD. In addition, since these voters and property owners are not officially in the district's boundaries, they are not allowed to be part of the governance structure or be involved in the decisions of the district.

While TDD law allows for district boundaries to be drawn in the manner in which the ARC TDD boundaries were drawn, doing so to intentionally exclude impacted residents and taxpayers is not in the public interest.

In October 2024, based on the public outcry around the Arnold Parkway project, the City Council voted on several resolutions about the project and the future of the ARC TDD. Among these resolutions was a vote to "call on the ARC TDD Board to take all necessary steps to dissolve the ARC TDD at the earliest opportunity allowed by law." The resolution failed by a vote of 6 to 1. The council also took a public vote to affirm the end of the Arnold Parkway project and remove the project from the ARC TDD's project description. This resolution passed unanimously with all 7 council members voting in favor of the resolution. Given that the ARC TDD and the City of Arnold are distinctly separate political entities, the City Council has no authority to make any decisions related to the TDD; only the ARC TDD Board could make decisions related to TDD projects or whether to abolish the district. In addition, while the City Council voted to end the Arnold Parkway project and remove it from the ARC TDD's description, the project referred to as the Arnold Parkway project was never formally part of the district's list of projects. Considering these factors, these votes by the city had no effect on the district, and appear to have misled the public.

Based on discussions with the City Council, Council members understood they could not force the ARC TDD to abolish, and explained that any votes they took about the ARC TDD were purely symbolic to show the public how they felt about the district. The City Attorney expanded on this admission, and likened the votes to "receiving the key to the city. It was an honorary vote."

While council members participating in the votes at the time may have understood that these were "show" votes, the public did not. For example, a concerned citizen who witnessed these votes and was later elected to the City Council, was surprised to learn during a meeting with the SAO that the resolutions passed in October 2024 had no effect on the district.

Holding such public votes which intentionally mislead the public causes confusion, and significantly reduces public trust and transparency.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

ARC TDD contracted developer to acquire connector road properties in secret to reduce acquisition costs

According to discussions with the City Administrator (district Executive Director), the city and district did not want the residents who were selling their homes to know the purchase was for the ARC TDD due to concerns that residents might become aware the purchase was for a commercial project and demand a premium for their homes. To reduce costs to the district and facilitate the purchase of needed properties, the ARC TDD contracted with a third party, the Arnold Acquisition Company (AAC), to purchase property on the open market on behalf of the district. According to the City Administrator, acting in his capacity as the ARC TDD Executive Director, the AAC was originally contracted for engineering services relating to the design and construction of the connector road, and using the AAC to acquire property was an afterthought. However, by using the AAC to purchase property, and later transferring ownership of that property to the ARC TDD, the TDD Board was able to withhold information about its purchases from the public.

Notification to acquire property came from the city and did not mention the TDD

Following the public announcement of the Arnold Parkway/connector road project, the City Administrator, City Community Development Director, and a City Council member hand delivered letters to the various residents whose houses were under consideration for purchase for the construction of the connector road and had not already been purchased. The letters were written from the city, signed by the City Administrator, and did not mention the ARC TDD. Specifically, the letters started, "The City of Arnold is planning to build a new road in your area. We determined that we will need to acquire your property to complete the project." According to the City Administrator, the TDD Board decided to write the letters from the city so it did not confuse residents who likely did not know what a TDD was, or how a TDD is different from the city.

Having these letters come from the city and city representatives is more evidence the connector road project is a city development project.

City inappropriately closes City Council meetings in violation of the Sunshine Law

Based on our review of city closed meeting minutes, the city often inappropriately discusses TDD activity in closed session. Section 610.021, RSMo, authorizes select discussions to occur during closed session, notably discussions relating to leasing and purchase or sale of real estate, but the statute continues by requiring those discussions to eventually be made public. The statute states, "any minutes, vote or public record approving a contract relating to the leasing, purchase or sale of real estate by a public governmental body shall be made public upon execution of the lease, purchase or sale of the real estate."

The City Attorney believes it was appropriate to close city meetings when the road development was being discussed, stating these discussions would have a clear impact on the purchase price of the homes needed to be acquired, which he claimed is protected by Section 610.021, RSMo. However, because Section 610.021, RSMo, is an exception to the open meetings law, it must be



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

strictly construed,¹³ meaning it must be interpreted in the most literal sense, and explanations provided by the city do not meet the stringent criteria defined in state law as well as established case law.¹⁴

For example, Section 610.021(2), RSMo, allows for closed session to the extent a meeting relates to leasing or the purchase or sale of real estate, but the lease, purchase, and/or sale must be "by a public governmental body." In the case of the Arnold City Council meetings, many of the discussions, updates, and actual purchases of property for the Arnold Parkway project/connector road project came from a private developer. Between April 15, 2021, and September 5, 2024, the City Council discussed the Arnold Parkway/connector road project a total of 12 times in closed meetings. These closed meetings discussed: real estate development of the Parkway, property acquisition timelines, the timing of the plan to go public with the project, potential funding sources for any bonding of the TDD, and litigation related to the purchase of property. In 4 of these instances, the private developer was the entity informing the Council about the progress the developer made on the project and the property the developer had purchased.

While the discussions at the closed meetings may have been related to the Arnold Parkway/connector road project in a broad sense, the discussions were not strictly about the public governmental body (the City of Arnold) purchasing the property. In the *Spradlin v. City of Fulton* case, the court concluded, "[t]here are no exceptions in section 610.021 for discussing a real estate transaction between a private developer and a landowner, for discussing the developer's plans for real estate, or for discussing the financing. . . of a development on real estate not yet purchased." The court noted that other Missouri cases applying the provisions of Section 610.021(2) supported this conclusion. In his concurrence in part and dissenting in part, Judge Wolff wrote, "the obvious fear is not that the lease price will be affected by public knowledge of the impending deal, but that public exposure would enrage the citizenry and thus kill the deal." Judge Wolff's logic in *Spradlin* and the actual citizen outrage that occurred in the City of Arnold after the Arnold Parkway project went public is one of the reasons why the Sunshine Law exists.

¹³ Section 610.011, RSMo, states, "It is the public policy of this state that meetings, records, votes, actions, and deliberations of public governmental bodies be open to the public unless otherwise provided by law. Sections 610.010 to 610.200 shall be liberally construed and their exceptions strictly construed to promote this public policy.

¹⁴ The Missouri Supreme Court case *Spradlin v. City of Fulton*, 982 S.W.2d 255 (Mo. banc 1998) contained facts similar to the City of Arnold's use of property acquisition. In this case, the City of Fulton was accused of violating the Sunshine Law by closing meetings to generally discuss development for a golf course.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

Unredacted closed minutes were not provided

As discussed in the Background section, the SAO was initially provided redacted closed minutes and was required to issue a subpoena to obtain the unredacted minutes. See subpoena documents at Appendix A. While the unredacted minutes were later obtained, the city's unwillingness to provide such documents serves as another example of the city's lack of transparency.

TDD board minutes do not document discussions held in open session

According to discussions with the TDD Board, various members referred to conversations and discussions about the connector road project amongst the Board members. When asked if those discussions were documented in the Board minutes, Board members indicated they were not. According to the TDD Board, they were informal discussions; no formal action or resolution took place, so the minutes did not reflect the content of the discussions. Not documenting such discussions demonstrates a lack of transparency by the TDD Board.

The ARC TDD sales tax amount is not displayed to the public in violation of state law

Businesses within the boundaries of the ARC TDD do not inform customers about the ARC TDD sales tax the customers are required to pay, in violation of state law. According to Section 238.280, RSMo, "in each transportation development district in which a sales tax has been imposed or increased every retailer shall prominently display the rate of the sales tax imposed or increased at the cash register area." There are approximately 90 retailers active within the ARC TDD.

We judgmentally selected a sample of 10 businesses, and performed an on-site visit to observe any indication or display that an additional TDD sales tax is charged at the location. None of the 10 retailers displayed the rate of the sales tax at the entry of the business or at the register, or otherwise acknowledged the existence of the ARC TDD. Additionally, while on-site at one of the retail stores, we purchased an item to identify if the ARC TDD sales tax was broken out on the receipt slip or otherwise displayed to the public; there was no such information on the receipt slip. While such break out is not required, this lack of information further minimizes the public's knowledge about the existence of the district and its additional tax.

According to the ARC TDD Executive Director, neither he nor any of the ARC TDD Board members were aware of the statutory requirement for the display of the TDD sales tax. The City Attorney also indicated he was not aware of this requirement. However, the City Attorney has demonstrated a significant familiarity with the TDD law throughout the audit, so it is unclear why he would not know about this provision. When we discussed this requirement with the City Attorney, he expressed concern about whether the city was going to face a penalty for this violation of state law and suggested the district's retailers were responsible for not displaying the sales tax rate. However, the ARC TDD made no attempt to notify the retailers of this requirement.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

Conclusion

The City of Arnold and Arnold Triangle TDD Board intentionally kept the creation, implementation, and goals of the ARC TDD vague and away from public view. The boundaries of the ARC TDD were strategically designed to ensure residents would not know about the creation of the district to prevent them from having any involvement in the governance structure of the district, or any ability to make any district decisions. Further actions by the City Council and city officials to deceive the public were designed to intentionally reduce public transparency.

Recommendation

The ARC TDD Board communicate the district's intentions to the public, hold open public discussions regarding plans for the district, and document these discussions in public board meeting minutes.

Auditee's Response

The ARC TDD disagreed with our recommendations. The ARC TDD's full response is included in Appendix F.

Auditor's Comment

The city/TDD response argues Section 610.021, RSMo, "authorizes closed sessions for real estate and litigation" to contest the audit's finding that the city inappropriately went into closed session to discuss TDD property acquisitions. As stated in the audit finding, it is true that Section 610.021, RSMo allows property acquisitions to be discussed in closed session, however that does not extend to acquisitions that do not involve the city. In this case, the City Council went into closed session to discuss the potential purchases to be made by a private developer, as well as to discuss the Parkway project and their plans for it generally. The city's response leaves this important piece of context out, seemingly to justify the City Council's blatant misuse of closed session.

The city/TDD response also attempts to confuse the issue of the City Council's use of 'show votes' by stating the "statutory structure" of the district requires coordinated action between city and TDD. While some minimal level of coordination and discussion would be understandable, the "statutory structure" of the district does not require the attempted misleading of the public by holding votes on issues that do not require city involvement.

The response further attempts to confuse the issue of transparency related to the TDD sales tax. The report notes a lack of compliance with state law requiring the prominent display the TDD sales tax rate. The city/TDD response however argues a point the report does not make by implying the report states a breakout of the tax rate on consumer receipts is required. The report clearly states it is not required. That information was included in the report to provide additional evidence of the lack of transparency as it relates to the charging of the additional TDD sales tax. The response wholly ignores Section 238.280, RSMo, which requires the prominent display of the TDD sales tax rate by businesses.



The examples of transparency issues documented in the report speak for themselves, and the city/TDD response's attempting to justify these examples are also consistent with the city and TDD's general problematic attitude and approach toward transparency.

3. Lack of Oversight by ARC TDD Board and City, and Noncompliance with TIF reporting

Improved oversight by the ARC TDD Board and the City Council is needed related to TDD funding and governance. Due to lapses in oversight by the governing bodies of these two entities, there have been various instances of poor internal controls and noncompliance with state law and best practice. The TDD Board is made up entirely of city officials who are responsible for appointing and removing designated TDD directors as they see fit. The City Council did not know about this authority, and has no criteria for evaluating designees for appointment or removal. In addition, improvements are needed to the city's oversight of TIF district funding and reporting.

3.1 Lack of TDD Board oversight

The TDD Board has not provided sufficient oversight of several aspects of TDD operations, including oversight of district finances and of the district's contract with the AAC. These oversight weaknesses put the TDD at risk by not ensuring revenues were handled appropriately and not ensuring a significant district contract had appropriate payment terms.

City finance staff receive and process TDD sales tax revenue without district oversight

The ARC TDD delegated the city to receive and process sales tax payments from the state on its behalf, with no district oversight. The city Finance Director performs monthly calculations for determining the amount of sales tax revenue the ARC TDD generates in a given month. Without oversight of district revenue, the Board has reduced assurance district revenues are being allocated and distributed appropriately.

As a separate legal political subdivision of the state, generally a TDD will receive its monthly sales tax revenue directly from the Missouri Department of Revenue (DOR) into a district account. In the event district funds need to be paid to another entity, the district would then make that payment. In the case of the ARC TDD, a portion of its revenue is legally due to the city TIF fund, but the district has also made agreements to pay supplemental TIF payments to the city. See MAR finding number 1 for additional information. Rather than the ARC TDD making these calculations and distributions, the district has delegated this duty to the city and the City Finance Director. The city performs various calculations to determine the amount to be paid to the TIF fund, creates a report of how the calculations were determined, and eventually pays the district the remainder. Both the TDD Executive Director and city Finance Director indicated the TDD Board provides no oversight of this process and does not review the related reports.

We reviewed a copy of the city's sales tax revenue calculations for January 2025. The report (1) separates businesses based on whether they are located within one of the TIFs, (2) details the amount of taxable sales for each retailer, and (3) applies any adjustments needed, such as economic activity taxes or



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

other taxes. We performed an analysis of the city's calculations to verify their accuracy and noted no issues.

While we did not identify any discrepancies, without any oversight of these revenue calculations, the TDD Board has no assurance of whether district funds are being allocated properly. According to the ARC TDD Executive Director, the TDD does not have staff available to perform the required financial duties, so independent review by the district is not possible. At a minimum, the board should review the reports from the city; however, the ARC TDD generates sufficient revenue to hire an independent external party to assist the city with the calculations.

AAC contract not reviewed by TDD legal counsel, does not define payment terms

The ARC TDD Board did not provide adequate review of a significant district contract. The Board contracted with AAC for the design and construction of the connector road project, and for property acquisition services. However, the district's contract with AAC was not reviewed by district legal counsel, but rather, was prepared by the City Attorney. The contract does not define the terms of payment for these services, which puts the district at risk of being overcharged. We noted the ARC TDD Board has no contractual protection against the AAC if, for example, the AAC sends an unreasonably large bill that is disproportionate to the services already performed. Furthermore, the ARC TDD Board cannot appropriately plan for the fulfillment of its future financial obligations to the ARC TDD projects without explicit payment terms.

When we discussed the AAC contract with the TDD Board and city officials, the City Attorney was dismissive of concerns and problems that could arise from the contract. The City Attorney indicated the current wording of the contract is written to the TDD's benefit and if there were ever any disputes over payment with the AAC, he believes the contract could be argued as invalid, and the TDD would not be required to pay. The City Attorney assisting an entity he does not formally represent in drafting a contract that he knows could be declared invalid if it was challenged is ethically concerning, and exemplifies why it is necessary for the Board to ensure such a document be reviewed by its own legal counsel.

The AAC purchased 5 residential properties for the TDD. The ownership of these properties has since been transferred from the AAC to the ARC TDD; however, as of May 31, 2025, the ARC TDD has not been billed for any costs associated with the AAC's services beyond the actual cost of the property. The ARC TDD Board was unaware when, or if, the AAC will bill the district for these services. Furthermore, the ARC TDD Board could not provide an estimate for the costs they expect to pay for the AAC's future engineering work.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

The ARC TDD Board has an obligation to provide oversight of its contracts and have the district's legal counsel prepare, or at a minimum, review such documents to protect the district in the event of a dispute.

3.2 Lack of City Council oversight

Despite frequent discussions about the ARC TDD projects during closed session, the City Council was unaware of its specific duties related to oversight of the ARC TDD and the active redevelopment projects within the city. The City Council has a responsibility to be knowledgeable about the TDD because it is required to appoint select members of the ARC TDD Board in accordance with statute. Furthermore, the city has not provided adequate oversight of the city's TIF districts.

City Council did not know it could nominate TDD Board members

The City Council was not aware of its responsibility to name members of the ARC TDD Board, and of its ability to remove TDD board members. Section 238.220.3(1), RSMo, states a designee of the city's choice serves on the ARC TDD Board along with the mayor. Similarly, Section 238.220.3(2), RSMo, further states, "a director designated by the governing body of a local transportation authority may be removed by such governing body at any time with or without cause." Although the mayor is required by statute to be on the board as the presiding officer of the city, the designee director can be anyone of the city's choice, as long as that director meets the requirements listed in statute.¹⁵ Similarly, the presiding officer of the Triangle TDD is required by statute to be on the ARC TDD Board, and the Triangle TDD also designates one person of its choice to be on the ARC TDD Board. Based on these statutes and the appointments of other city officials to these boards, the entirety of the ARC TDD Board consists of city officials. Therefore, the city is ultimately responsible for appointing both of the non-required designees: one director appointed by the city and the other appointed by the Triangle TDD, which also consists entirely of city officials.

In an April 2025 meeting with the City Council the SAO inquired about the Council's process for evaluating members to be appointed to the ARC TDD Board. However, when asked about the criteria for designating or removing members of the TDD Board, the City Council was generally unaware this was something it had authority to do. We asked for an informal show of hands by the Council of anyone who was aware state law authorized the city to designate or remove members of its choice to the ARC TDD Board, and no Council members indicated they were familiar with this authority or responsibility.

Furthermore, during this meeting, the newly elected city Mayor, who previously served as a Councilmember, indicated he had been informed just

¹⁵ According to Section 238.220.3(2), RSMo, "Each director shall be at least twenty-one years of age and a resident or property owner of the local transportation authority the director represents."



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

days prior to the meeting that he was now serving on the ARC TDD Board by virtue of being the presiding officer of the city. He indicated that prior to becoming Mayor, when serving as a Councilmember, he did not know the Council had the authority to name TDD board members.

The City Attorney has provided the City Council significant information about TDD operations in closed session (see MAR finding number 2 for additional information) and otherwise, but had not provided the Council with information about its responsibility and authority to name TDD Board members. Instead, based on our conversation with the TDD Executive Director who was familiar with TDD Property Owner meetings, the City Attorney coordinated with the Developer regarding TDD Board designees.

Based on the Councilmembers' unfamiliarity with the statute, it is clear the city has no criteria for designating or removing TDD directors. Without appropriate criteria the city cannot ensure its designees are effective and meeting the desired level of performance.

City Council is not informed of the status of city TIF districts

The City Council could not demonstrate it was aware of the status of TIF districts under the city's control. For example, during a meeting with the City Council, we inquired about the status of the Crossroads TIF and asked the Council to confirm our basic understanding of how the TIF operates. None of the Councilmembers indicated they had any information or knowledge of the status of the Crossroads TIF district. Further, the City Council is not monitoring TIF money on hand at the city to determine if any city TIFs can be abolished.

3.3 City not in compliance with TIF laws

Revenues from the city's 2 TIF districts are not segregated or accounted for separately as required by state law, resulting in TIF funds being comingled and revenues for one district potentially being used for the projects of the other. In addition, the city is not in compliance with statutory TIF reporting requirements, which results in a lack of transparency to the public regarding the status of TIF debts and revenues.

TIF revenues are not segregated as required by law

The city comingles the revenues from the 2 TIF districts in the same city fund without tracking how much money has been reallocated from which TIF district. Section 99.805, RSMo, requires a municipality to maintain a separate fund to account for the payments in lieu of taxes and any economic activity taxes collected for each redevelopment plan. The balance of the city's combined Special Allocation Fund as of August 2024 was \$3,888,432.

The segregation of TIF revenues is necessary to ensure the payments in lieu of taxes and economic activity taxes that have been reallocated from a particular district are used to fund the approved project costs of that district. If revenues from multiple TIF districts are comingled, the revenues from one district could unknowingly be used to pay for the project costs of another district, which could potentially extend the life of a TIF district unnecessarily,



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

City TIF reports not filed as
required by state law

and ultimately result in tax revenues being diverted from other taxing districts for longer than necessary.

The city Finance Director was not aware of the requirement to keep TIF funds segregated.

The city has not filed the required reporting information for its TIF projects, as required by state law. According to Section 99.865, RSMo, the governing body of a TIF must prepare a report to denote (1) the status of its active redevelopment plans, (2) information such as the amounts and sources of revenue for the TIF, (3) economic activity taxes generated within the redevelopment area, and (4) various other information. The city is required to submit this report to the Director of Revenue, who will subsequently submit it to the State Auditor, and the State Auditor makes the information available to the public on his website.¹⁶

As of January 1, 2026, status reports for both the Arnold Crossroads TIF and Arnold Triangle TIF have not been filed since 2018 and 2019, respectively. When we asked the city why the reports were not prepared and filed, the City Administrator indicated that when the current city Finance Director took his position, he was not informed such reports needed to be prepared.

This noncompliance with TIF reporting requirements results in the City Council and the public being less informed of the status of the TIF projects. Appropriate monitoring of TIF districts is necessary to ensure the redirected property taxes are handled in a transparent manner, and to allow the city and the public to ensure TIF debts are paid timely. This allows future property tax revenues to be paid to the appropriate taxing districts, generally school districts, when TIF obligations are satisfied, rather than continuing to redirect tax revenue to the TIF.

Additionally, state law¹⁷ stipulates that when a city fails to file the annual TIF report, that city shall not be allowed to establish a new TIF for a period of 5 years. The DOR notified the city via an October 2020 letter that the city's TIF annual reports were due by November 15, 2020, in accordance with the statutory reporting requirements. The DOR did not have any record of a response from the city to this letter. The DOR has not sent any subsequent letters or notifications to the city about the missing reports for the reporting

¹⁶ See the TIF report public website page located at <<https://auditor.mo.gov/TIF/Search>>.

¹⁷ Section 99.865.7, RSMo, states, "The department of revenue shall provide notice of any failure to comply with the reporting requirements provided in . . . this section to the applicable municipality. . . . If such municipality does not satisfy the reporting requirements for which it previously did not comply, as specified in the notice from the department of revenue, within sixty days of the receipt of the notice, the municipality shall be prohibited from adopting any new tax increment finance plan for a period of five years from the date of the department of revenue's notice."



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

periods 2021 to 2025, and the reports remain unsubmitted as of January 1, 2026.

Recommendations

- 3.1 The ARC TDD Board create procedures to allow for an independent third party review of sales tax revenue calculations, and use its own legal counsel for all contracts to ensure the validity of those contracts.
- 3.2 The City Council regularly evaluate the performance and eligibility of its designees to the ARC TDD Board as well as monitor the status of all TIF districts within the city.
- 3.3 The city maintain separate TIF funds as required by law, and ensure the timely preparation and submission of TIF status reports.

Auditee's Response

The City of Arnold and ARC TDD disagreed with our recommendations. The City of Arnold's full response is included in Appendix F.

Auditor's Comment

The city/TDD response states the district's oversight of TDD revenue processing is sufficient since the TDD undergoes annual third-party financial audits with no negative findings. However, the objectives of financial audits are to express an opinion as to whether the financial statements are free from material misstatements, and are not an audit of the processes used by the TDD (otherwise known as internal controls). The financial audit report for the year ending August 31, 2024, specifically states the (financial) auditors:

. . . obtain an understanding of internal control relevant to the audit 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 ARC TDD's internal control.

The city/TDD response further incorrectly states the TIF revenues are segregated and points to the city's Annual Comprehensive Financial Report, which clearly shows the city is commingling all TIF activity in a singular reallocation fund, which is the definition of not segregating revenues.

Finally, the city/TDD response incorrectly states the city was not notified of the lack of filing annual TIF reports. As the report states, auditors confirmed with the DOR that a notice was sent in October 2020. Further, these annual TIF reports were filed with the DOR for the years of 2008 through 2019, so it is unclear why the city needed additional reminders from the state to file the reports beginning in 2020.

4. State Law is Ambiguous and Allows for Abuse

The state TDD law is ambiguous and has allowed for many of the issues identified in this report to occur. Although the city, Triangle TDD, and ARC TDD violated some aspects of the TDD law, they were generally compliant with it, and the law is not specific enough to prevent abuse. For example, there are no explicit requirements in TDD law for TDD officials to act in a



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

fiduciary manner as it relates to TDD activity in the event there are conflicting interests. In the case of the City of Arnold and the ARC TDD, city officials have acted in the best interests of the city, rather than the TDD and the taxpayers who pay TDD taxes. The TDD law also does not clearly state whether a TDD qualifies as an LTA for the purposes of creating a "regional" TDD. The City of Arnold has used this ambiguity to its advantage by creating the ARC TDD to be fully within the city's control, without property owner input. Furthermore, state law does not restrict a TDD to operate only within its boundaries, allowing the ARC TDD to carve out residents and voters when establishing the district, but then using district resources to purchase the property of those same residents and taxpayers.

No requirement for TDD board members to act in a fiduciary manner

State law clearly defines a TDD as a political subdivision of the state, which makes it a legally separate entity from other political subdivisions like a city or county. The statutory purpose of a TDD is to create, fund, promote, plan, design, construct, improve, maintain, and operate one or more projects of the district. Despite these definitions and distinctions, the state TDD law does not require TDD board members and officials to act in a fiduciary manner, with the best interest of the TDD in mind, when conflicts arise. City officials, in their capacity as ARC TDD Board members, have consistently made decisions that prioritize their development goals for the City of Arnold, rather than the best fiduciary interest of the district.

Examples from MAR finding numbers 1 through 3 include the ARC TDD paying \$200,000 annually to the city to pay off TIF debt unnecessarily, and allowing the TDD to be used to purchase properties outside of district boundaries to advance non-transportation related city development interests.

ARC TDD crafted to restrict property owner involvement in district decisions and ensure city control

The ARC TDD was created using a section of the TDD law¹⁸ intended for districts that span multiple jurisdictions. TDD law¹⁹ also limits the board of the resulting multiple-jurisdiction TDD to designees of the creating jurisdictions. The city used this section of the TDD law to ensure city officials and city designees obtained and maintained control of the ARC TDD board, and conversely, ensuring property owners in the ARC TDD boundaries did not have representation on the board.

In June 2006, the City Attorney petitioned the court to create the Arnold Triangle TDD, which named the city as the LTA. Since the city owned all the property within the proposed district, and no registered voters resided within the district boundaries, the city could elect all the Board members to the Arnold Triangle TDD Board. One year later, in September 2007, the City Attorney and the Arnold Triangle TDD, with the Triangle TDD acting as an

¹⁸ Section 238.207.5, RSMo.

¹⁹ Section 238.220.3(1), RSMo.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

LTA, petitioned the court to create the ARC TDD as a "regional" TDD, with the city again as the LTA. The proposed ARC TDD boundaries included significantly more retail stores and included property owned by individuals other than the city and the 2 primary developers. See Appendix D for a map of the ARC TDD boundaries.

The use of Section 238.207.5, RSMo, to create a "regional" TDD was intentional and not consistent with the intent of that provision of law. The City Attorney and the Triangle TDD Board could have simply expanded the boundaries of the Triangle TDD to include the new boundaries of the ARC TDD. However, if this approach was used, state TDD law would have required the Triangle TDD Board to be made up of property owners within the boundaries of the expanded district. The formation of the ARC TDD as a "regional" TDD allowed the city to remain in control of the ARC TDD Board without property owner input.

Based on our understanding and review of the TDD law, the city did not use Section 238.207.5, RSMo, in the manner in which it was intended to be used. A regional TDD is intended to be a joint effort of unrelated political subdivisions with the Board of Directors representing their respective interests.

An example of a regional TDD that appears appropriate within the context of the TDD law is the U.S. Highway 36 - Interstate 72 Corridor TDD. This district is made up of 11 counties and cities that petitioned the court to create a regional TDD for the purpose of constructing approximately 52 miles of two additional lanes on U.S. Highway 36 from about 8 miles west of Hannibal to the City of Macon to achieve a four-lane expressway. The Board of Directors included representatives from the 31 different counties, cities, and villages.

In the case of the ARC TDD, the City of Arnold was the LTA that petitioned the creation of the Triangle TDD, and the Triangle TDD was wholly within the boundaries of the city. While the Triangle TDD and the City of Arnold are different and distinct political subdivisions, the Triangle TDD is related to the city, and the ARC TDD should not have been created as a vehicle for preventing property owner oversight and input in the operations of the ARC TDD.

Property purchased and projects conducted outside the boundaries of the district

State law does not expressly prohibit a TDD from purchasing property or conducting projects outside of its defined boundaries. The most logical purpose of political subdivisions having boundaries is to confine the scope of operations conducted by that political subdivision. For example, the city limits of a city exist to define the area of that city's authority and prevent it from attempting to govern adjacent cities or unincorporated areas over which it has no jurisdiction. Similarly, the ARC TDD is a political subdivision separate from the City of Arnold, and the boundaries of the district should



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

define the area in which the TDD is authorized to conduct projects. This lack of clarity in the law is especially pertinent given the intentionally deceptive nature behind ARC TDD's boundaries, which were designed to exclude residents from the district.

The ARC TDD creation documents use vague, undefined project wording²⁰ as justification to pursue projects and purchase property outside of the district's boundaries because the Board believes these projects fit into the definition of "benefitting the district." This reasoning is allowable by the law because there is no specification as to what does or does not "benefit" a district. The use of vague, undefined project wording in this manner essentially allows a TDD to tax citizens for up to 40 years, the statutory maximum life of a TDD, with no clearly defined purpose.

Recommendation

The General Assembly consider clarifying the purpose of a transportation development district's boundaries, and prevent the acquisition of property and the pursuit of projects outside the district. Additionally, the General Assembly consider clarification of the "regional" TDD portion of the law to ensure it is being used in the manner it was intended and prevent an LTA from partnering with a TDD it participated in creating to form another TDD.

Auditee's Response

Due to this recommendation being legislative in nature, no management response can be obtained.

Auditor's Comment

The city/TDD response communicates an opinion that this discussion is misplaced in this report and is outside the scope of a performance audit, and suggests if the SAO is "upset with the law, seek to change the law." The recommendation is literally a recommendation to the General Assembly to do just that. This finding and recommendation is relevant to this audit because the ambiguity in the state's TDD law is a significant cause of several of the issues contained in the report.

5. City Attorney Provided an Intentionally Misleading Statement to Auditors

The City Attorney intentionally provided a misstatement to the SAO in an attempt to interfere with our audit, and in doing so, violated Missouri statute and Missouri Supreme Court Rules of Professional Conduct.

During a recorded interview of the ARC TDD Board on March 18, 2025, the City Attorney was in attendance. When asked about his involvement with the district, he indicated it was "as City Attorney." We further inquired about his response, asking, "is that who the district procured [as TDD Legal Counsel]?" He replied "yes," then also added that the district procured

²⁰ The last of the approved ARC TDD projects per the formation documents is "improvements to Jeffco Boulevard, Missouri Highway 141, and other publicly accessible roadways, parking facilities, and transportation-related improvements within the District," which was described as a "catch-all" by the City Attorney.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

Thompson Coburn, LLP as well for other administrative duties. We questioned the City Attorney's response again, indicating "[we] didn't see in the minutes where you were procured for TDD counsel. Is that a shortcoming?" He replied, "probably." When asked again, "shortcoming of the minutes?", the City Attorney again only responded "probably." We specifically asked the TDD Board members if the City Attorney was the TDD's attorney, and the Board members at the meeting indicated that he was. We then proceeded with the meeting with the ARC TDD Board, with the City Attorney actively responding on behalf of the district on multiple subjects.

During a separate meeting held on July 17, 2025, we met with the City Council and ARC TDD Board to discuss the City Attorney's representation of both the city and ARC TDD. However, when we summarized the events of the March 18 meeting, the City Attorney corrected us, indicating that he was never procured as the official legal counsel for the TDD, and clarified that his involvement with the district has always been on behalf of, and to the betterment of, his client, the city. The City Attorney informed us that Thompson Coburn, LLP is the only officially procured legal counsel for the ARC TDD, and among his other responsibilities, he acts as the "middleman" between Thompson Coburn, LLP and the ARC TDD Board.

The deliberately misleading statement made by the City Attorney at the TDD Board meeting in March 2025, is a clear violation of Missouri Supreme Court Rules of Professional Conduct 4-4.1,²¹ which states, "In the course of representing a client a lawyer shall not knowingly: (a) make a false statement of material fact or law to a third person. . ." Further, Section 29.250.1, RSMo, defines the consequences of false or misleading reports to the state auditor. It states, "Any person who willfully makes or causes to be made, to the state auditor or the auditor's designated representatives, any false, misleading, or unfounded report for the purpose of interfering with the performance of any audit, special review, or investigation, or to hinder or obstruct the auditor or the auditor's designated representatives in the performance of duties, shall be guilty of a class A misdemeanor."

Throughout meeting with the TDD Board members in March, the TDD Board members seemed unaware of district activities or the goals of the district. The City Attorney frequently provided answers on behalf of the TDD Board members present. Although the City Attorney answered our questions and assisted with our understanding of the district as a whole, his misrepresentation to auditors allowed him to be present at a closed meeting intended to only include TDD Board members, and delayed our understanding of how uninvolved the TDD Board members were with the district operations. Had the City Attorney not been present during the March

²¹ These rules can be found at <<https://www.courts.mo.gov/page.jsp?id=198939>>, accessed on August 8, 2025.



City of Arnold and Arnold Transportation Development Districts
Management Advisory Report - State Auditor's Findings

18 meeting, the TDD Board's lack of knowledge and oversight of the district would have been made apparent much sooner.

Section 29.250.3, RSMo, requires the state auditor to report such violation to the prosecuting attorney for action or proceedings as the prosecutor sees fit. Therefore, this matter was referred to the Jefferson County Prosecutor.

Auditor's Comment

The draft of the report contained a statement suggesting this violation would be in the jurisdiction of the municipal court. The city/TDD response includes reference to this statement and correctly states the city charter prohibits the City Prosecutor from handling this offense, and it would be a state offense. Therefore, the statement was removed from the final report. The city/TDD response also suggests the statute of limitations for this offense has expired; however, while the City Attorney's false statements were made on March 18, 2025, it was not discovered the statements were false until July 17, 2025, which is inside the 1 year statute of limitations from the date of the referral to the prosecutor. The SAO will allow the Jefferson County Prosecuting Attorney to make that determination.



Appendix A
City of Arnold and Arnold Transportation Development Districts
State Auditor Subpoenas - Bryan Richison

Information of a personal, privileged, or sensitive nature, and/or information that is not directly related to the information requested in the subpoena has been redacted



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

SUBPOENA

**To: Bryan Richison
Arnold Retail Corridor TDD Executive Director
2101 Jeffco Blvd.
Arnold, MO 63010**

YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or his representative Connor McGuire, Senior Auditor, at 2101 Jeffco Blvd, Arnold, MO 63010 at 10:00am on March 18, 2025, for purposes of providing the following records and documents listed on Exhibit A attached to this Subpoena.

In lieu of appearance, physical access to the records described in Exhibit A may be granted for State Auditor staff on or before the appearance date listed above. Alternatively, records may be shipped to the Missouri State Auditor to the attention of Wayne Kauffman at 301 West High St, Jefferson City Mo, 65101, or you may send them electronically to wayne.kauffman@auditor.mo.gov to be received no later than the appearance date listed above.

ISSUED this 10th day of March, 2025 pursuant to Section 29.235.4(1), RSMo.

Scott Fitzpatrick
Missouri State Auditor

I served the foregoing subpoena by _____ on this _____ day of _____, 2025.

Note: Subpoena was served by a third-party on March 10, 2025



Appendix A
 City of Arnold and Arnold Transportation Development Districts
 State Auditor Subpoenas - Bryan Richison



SCOTT FITZPATRICK
 MISSOURI STATE AUDITOR

EXHIBIT A

You are to preserve for production and inspection, and then appear as instructed on the attached subpoena and produce for inspection and examination, the following items in your possession or under your control:

- A list of all property (residential and commercial) the ARC TDD is planning to purchase as part of the connector road project.
- Appraisals for any residential property purchased by the ARC TDD for an amount greater than the standard \$170,000 + \$55,000 relocation payment.
- All letters sent to property owners informing them of the TDD's intent to purchase their property, and all correspondence with each property owner.
- The Arnold Retail Corridor TDD refunding revenue bonds transaction schedule for account number [REDACTED].
- Buyer's Settlement Statements for the following property purchases:

| Withdrawal Date | Withdrawal Description | Withdrawal Amount (\$) |
|-----------------|-------------------------------------|------------------------|
| 4/12/2024 | WIRE TRANSFER WITHDRAWAL [REDACTED] | 281,945.79 |
| 4/18/2024 | WIRE TRANSFER WITHDRAWAL [REDACTED] | 25,719.54 |
| 11/14/2024 | WIRE TRANSFER WITHDRAWAL [REDACTED] | 249,576.71 |

This request for records includes all materials that exist in paper ("hard copy") or electronic form (including but not limited to records and data maintained on computers, tablets, smart phones, external electronic storage drives, thumbnail drives, remote servers or back up tapes). All information requested in the items above are subject to inspection, review and copying by the state auditor. Section 29.235.4(1), RSMo.



Appendix A
City of Arnold and Arnold Transportation Development Districts
State Auditor Subpoenas - Bryan Richison



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

SUBPOENA

To: Bryan Richison
City Administrator, City of Arnold
2101 Jeffco Blvd.
Arnold, MO 63010

YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or his representative Wayne Kauffman, Audit Manager at 2101 Jeffco Blvd, Arnold, Missouri, 63010 at 10:00am on May 1, 2025, for purposes of providing the following records and documents listed on Exhibit A attached to this Subpoena.

In lieu of appearance, physical access to the records described in Exhibit A may be granted for State Auditor staff on or before the appearance date listed above. Alternatively, records may be shipped to the Missouri State Auditor to the attention of Wayne Kauffman at: 301 West High St, Jefferson City, MO, 65101, or you may send them electronically to wayne.kauffman@auditor.mo.gov to be received no later than the appearance date listed above.

ISSUED this 3rd day of April, 2025 pursuant to Section 29.235.4(1), RSMo.

Scott Fitzpatrick
Missouri State Auditor

I served the foregoing subpoena by _____ on this _____ day of _____, 2025.

Note: Subpoena was served by a third-party on April 8, 2025



Appendix A
City of Arnold and Arnold Transportation Development Districts
State Auditor Subpoenas - Bryan Richison



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

EXHIBIT A

You are to preserve for production and inspection, and then appear as instructed on the attached subpoena and produce for inspection and examination, the following items in your possession or under your control:

1. The City of Arnold City Council sessions closed meeting minutes, without any redactions other than redactions for materials protected by the attorney-client privilege, for those City Council sessions that took place on:

- September 5, 2024;
- August 15, 2024;
- August 8, 2024;
- August 1, 2024;
- June 13, 2024;
- May 2, 2024;
- October 19, 2023; and
- October 6, 2022.

This request for records includes all materials that exist in paper ("hard copy") or electronic form (including but not limited to records and data maintained on computers, tablets, smart phones, external electronic storage drives, thumbnail drives, remote servers or back up tapes). All information requested in the items above are subject to inspection, review and copying by the state auditor. Section 29.235.4(1), RSMo.



Appendix B
City of Arnold and Arnold Transportation Development Districts
State Auditor Subpoena - Ron Counts



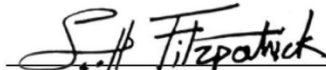
SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

SUBPOENA

To: Ron Counts
Mayor, City of Arnold
2101 Jeffco Blvd.
Arnold, MO 63010

YOU ARE COMMANDED AND REQUIRED to appear personally before the State Auditor or his representative Wayne Kauffman, Audit Manager at 2101 Jeffco Blvd, Arnold, MO 63010 at 10:00am on April 8, 2025, for purposes of providing testimony.

ISSUED this 10th day of March, 2025 pursuant to Section 29.235.4(1), RSMo.



Scott Fitzpatrick
Missouri State Auditor

I served the foregoing subpoena by _____ on this _____ day of _____, 2025.

Note: Subpoena was served by a third-party on March 10, 2025



Appendix C
City of Arnold and Arnold Transportation Development Districts
ARC TDD Revenues and Expenditures
Fiscal Year Ended August 31, 2024

| | Year Ended August 31, 2024 |
|--|-------------------------------|
| REVENUES | |
| TDD Sales Tax Revenues | \$ 3,676,593 |
| Interest Income | 63,647 |
| Total Revenues | 3,740,240 |
| EXPENDITURES | |
| Additional TIF Payments | 200,000 |
| Trustee Fees | 5,678 |
| EATS Payments to TIF fund | 648,328 |
| Bank Fees | 210 |
| Monitor Fees | 2,917 |
| Insurance Expense | 8,394 |
| Legal and Professional Fees | 25,720 |
| Audit Fees | 3,788 |
| Real Estate Purchases | 1,046,083 |
| Interest Expense | 11,850 |
| Revenue Bond Principal Repayment | 790,000 |
| Total Expenditures | 2,742,968 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 997,272 |
| BEGINNING CASH | 1,803,122 |
| ENDING CASH | \$ 2,800,394 |

Source: Prepared by the SAO using the district's audited financial statements.



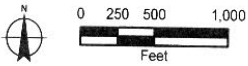
Appendix D
City of Arnold and Arnold Transportation Development Districts
City-Provided Map of ARC TDD and TIF District Boundaries



TDD Boundary
ARC TDD
City of Arnold, Missouri

Legend

- Arnold Crossroads TIF Boundary
- Arnold Triangle TIF Boundary
- ARC TDD Boundary



Source: ARC TDD files



Appendix E
 City of Arnold and Arnold Transportation Development Districts
 ARC TDD Property Owners

TALLY SHEET

ARNOLD RETAIL CORRIDOR TRANSPORTATION DEVELOPMENT DISTRICT

TUESDAY, MARCH 11, 2008
 PROPOSITION TDD

| <u>PROPERTY OWNER</u> | <u>BALLOT RECEIVED</u> | <u>AFFIDAVIT COMPLETED</u> | <u>BALLOT SIGNED</u> | <u>TOTAL ACREAGE</u> | <u>YES</u> | <u>NO</u> |
|------------------------------|------------------------|----------------------------|----------------------|----------------------|------------|-----------|
| ARNOLD CROSSROADS LLC | _____ | _____ | _____ | 21.00 | _____ | _____ |
| DIERBERGS ARNOLD LLC | _____ | _____ | _____ | 5.48 | _____ | _____ |
| DRURY DEVELOPMENT CORP | _____ | _____ | _____ | 0.41 | _____ | _____ |
| DRURY INNS INC. | _____ | _____ | _____ | 2.98 | _____ | _____ |
| DRURY PETROLEUM INC | _____ | _____ | _____ | 0.48 | _____ | _____ |
| MOSS ENTERPRISE INC. | _____ | _____ | _____ | 1.031 | _____ | _____ |
| TAYCO EUREKA LOTS LP | _____ | _____ | _____ | 0.54 | _____ | _____ |
| THF ARNOLD TRIANGLE DEV. LLC | _____ | _____ | _____ | 31.72 | _____ | _____ |
| VALCOUR DEVELOPMENT CO. | _____ | _____ | _____ | 1.70 | _____ | _____ |
| TOTAL VOTES | | | | | <u>YES</u> | <u>NO</u> |



Appendix F
City of Arnold and Arnold Transportation Development Districts
City of Arnold and ARC TDD Responses to Audit Recommendations



City of Arnold

William (Bill) Moritz, Mayor

April 3, 2026

The Honorable Scott Fitzpatrick
Missouri State Auditor
State Auditor’s Office
Jefferson City, Missouri

Information of a personal, privileged, or potentially sensitive nature has been redacted from the response.

Re: Submission of the City of Arnold’s Formal Response to the SAO Draft Report

Auditor Fitzpatrick:

As was expected and confirmed in our July 2025 pre-exit interview with your team, no fraud, misuse of funds or illegal activity was identified. The City will continue to monitor our internal processes, including those related to public communications and transparency.

On behalf of the City of Arnold and its related Transportation Development Districts (TDDs), we are submitting the enclosed materials in response to the State Auditor’s Draft Report (“Draft Report”) concerning the City and its transportation development activities.

The City appreciates the opportunity to provide a complete and accurate record. As detailed in the attached documents, the Draft Report contains significant factual omissions, legal misinterpretations, and conclusions that do not reflect the statutory framework governing TDDs, the economic realities of the Arnold region, or the extensive infrastructure improvements achieved through the City–TDD partnership.

Enclosed for your review are the following:

1. Arnold Response: A comprehensive narrative addressing each major theme of the Draft Report, including statutory compliance, economic outcomes, governance structure, transparency, and the long-standing coordination between the City and its TDDs.

2. Appendix: Point-by-Point Rebuttal Matrix: A detailed, line-item response to each specific statement, assertion, or finding contained in the Draft Report. This appendix provides citations, statutory references, and factual corrections necessary for an accurate and complete audit record.

Together, these documents demonstrate that the City and its TDDs acted lawfully, transparently, and in a manner that advanced the public interest. The transportation improvements financed through the TDDs have generated substantial economic growth, improved safety, and enhanced mobility for residents, businesses, and visitors. These



Appendix F
City of Arnold and Arnold Transportation Development Districts
City of Arnold and ARC TDD Responses to Audit Recommendations

outcomes reflect the very principles of effectiveness, efficiency, and economy that performance audits are intended to evaluate.

The City respectfully requests that the enclosed materials be incorporated into the final audit record in full.

Please feel free to contact me should your office require clarification, supporting documentation, or additional information.

Sincerely,

William (Bill) Moritz, Mayor
City of Arnold, Missouri

Gary Plunk
Triangle TDD Chairman



I. Introduction

When the State Auditor’s Office (“SAO”) performs a performance audit it is charged with determining the effectiveness, efficiency and economy of a particular state agency or political subdivision. If the SAO had done so with its audit of the City of Arnold (“City”) and its related transportation development districts (TDDs) it would have taken far less than the nearly two years and cost the taxpayers far less than the hundreds (perhaps thousands) of hours spent by the SAO trying to establish a preconceived, predetermined result.

If the SAO had audited effectiveness, it would have concluded that the collaboration between the City and TDDs had effected the relocation of Church Road (allowing for the development of Arnold Commons, the signalization of Missouri State Road and Old Lemay Ferry, the construction of a traffic circle at Astra Way and Missouri State Road (alleviating traffic congestion that previously backed onto 141 and improving safety), the signalization of the 141 and Lone Star (allowing access to Arnold Crossroads) and more projects.

If the SAO had audited efficiency, it would have concluded that all the above-referenced “effectiveness” had been accomplished without the TDDs employing a single individual. Instead, by tasking existing City staff with oversight of the projects (projects that would ultimately be owned and maintained by the City), each project was completed on time and on budget without the duplication of the administrative costs necessary to maintain a staff. The SAO ignored this model of efficiency, making not a single reference to its efficiency or effectiveness.

If the SAO had audited economy, it would have recognized that the collaboration between the City of Arnold and the TDDs had resulted in an increase of \$220,000,000 of taxable sales in the TDD area between 2005 and 2022. That is sales tax revenue to the City that ensures police protection, snow removal, parks development, increased property values and the convenience of local commerce.

All of this presents the question: When a state agency charged with ensuring effectiveness, efficiency, and economy instead acts with malice, failing at every level - who polices that agency? Put another way, who audits the Auditor?

II. The Audit Was Fundamentally Flawed From Its Inception

The audit’s nearly two-year duration and the nine-month gap between the pre-exit conference and the draft report undermine its credibility. The auditors had not met with bond counsel or TDD counsel before forming conclusions presented at the July 2025 pre-



Appendix F
City of Arnold and Arnold Transportation Development Districts
City of Arnold and ARC TDD Responses to Audit Recommendations

close out report, an essential failure given that many findings hinge on legal and financial interpretations that only bond counsel could clarify.

The auditors also did not consult TIF/TDD experts or MODOT, despite evaluating complex statutory and transportation-related issues. They failed to review TIF development maps, which would have shown the interdependence between TDD-funded infrastructure and TIF-driven commercial success. These omissions demonstrate a pattern of auditing toward a predetermined conclusion rather than conducting an objective performance audit grounded in efficiency, effectiveness, and economy.

III. The Audit Misstates the Law and Ignores Critical Facts

1. TDD Revenue Is a Lawful Source for TIF Obligations

The audit's assertion that TDD payments toward TIF debt "benefit the City, not the TDD" is incorrect. TDD revenues are derived from sales at shopping centers within the TIFs, and there exists a symbiotic relationship between the TDDs and the TIFs. The TIF developments thrive because the TDD financed the transportation infrastructure that made the commercial areas viable. In turn, the TDD benefits from increased sales activity.

2. The Audit Incorrectly Claims the ARC TDD Has "No Viable Projects"

The connector road is the first project listed in the TDD formation documents. The properties being acquired are precisely those needed to connect the two sides of the district. The project was known, planned, and legally authorized from the inception of the TDD. Calling this project "not viable" is unfounded.

Exhibit III., Description of the Transportation Project, in the TDD formation documents identifies the following eight TDD projects which were approved by the Missouri Highway Department, Bond Counsel, and the Circuit Court in 2007.

- 1) A new connection road between Highway 141 and Michigan
- 2) Relocation of Church Road
- 3) A new intersection at Church Road, Missouri State Road, and Old Lemay Ferry Road
- 4) A new intersection at Church Road and Big Bill Road
- 5) Acceleration and deceleration lanes along the south side of Highway 141
- 6) Relocation of Big Bill Road
- 7) Landscaping and beautification of the intersection of Highway 141 and Interstate 55
- 8) Improvements to Jeffco Boulevard, Highway 141 and other publicly accessible roadways, parking facilities and transportation related improvements benefitting the District.



Appendix F
City of Arnold and Arnold Transportation Development Districts
City of Arnold and ARC TDD Responses to Audit Recommendations

Only five of the eight viable projects have been completed to date, with three remaining. Aside from the aforementioned viable connector road (Project 1), other viable projects that have not been completed include (Project 7) and (Project 8).

3. Property Acquisition Outside TDD Boundaries Is Permitted and Court-Authorized

State law allows TDDs to acquire property outside district boundaries. The connector road cannot be built without acquiring certain residential parcels outside the boundary. The audit's fixation on this issue is indicative of bias.

IV. The Audit Misunderstands the Relationship Between the City and the TDD

1. The City and TDD Are Statutorily Aligned

A TDD is temporary; a city is permanent. The TDD's purpose is to build infrastructure that the City will ultimately own and maintain. The statutes mandate City representation on the TDD board. The audit's conflict-of-interest theory contradicts the structure and intent of Missouri's TDD law.

2. The Audit Misrepresents the City Attorney's Role

Multiple parties have legal representation. It is standard practice for one attorney to draft initial documents for multi-party agreements. The audit selectively highlights the City Attorney's involvement while ignoring the involvement of other attorneys.

V. The Audit Ignores the Economic Success of the ARC TDD

Taxable sales within the ARC TDD footprint have grown dramatically:

- 2005: \$128.9 million
- 2009: \$203.5 million
- 2022: \$349.4 million

This growth is directly tied to TDD-funded infrastructure improvements. The audit's failure to acknowledge this success is a significant omission.



VI. The Audit’s Transparency Findings Are Misleading or Incorrect

1. Closed Sessions Were Lawful and Necessary

Real estate acquisition is an enumerated exception under Missouri’s Sunshine Law. Closed sessions prevent speculation and price inflation, protecting taxpayers. The City had to discuss condemnation authority because TDDs, without the authority of the City, cannot use eminent domain.

2. “Show Votes” Mischaracterization Is Incorrect

The TDD cannot complete projects without City authorization. Therefore, City votes regarding TDD projects are not “show votes”—they are part of the coordinated, legally required relationship between the entities.

3. Sales Tax Display Requirement

The audit notes that receipts did not break out the TDD tax but admits such breakout is not required. Including this in the report serves no purpose other than to sensationalize.

VII. The Audit’s Oversight Findings Ignore Existing Controls

The TDD undergoes annual third-party financial audits. The auditors were informed of this. No negative findings have ever been issued. The audit’s claim of “no oversight” is false.

VIII. The Audit Misrepresents TIF Reporting Issues

The reporting lapse occurred during a four-month vacancy in the Finance Director position. The new Finance Director received no transition and no notices from the state. The issue was inadvertent and not intentional.

IX. The Audit Includes Irrelevant Legislative Commentary

The section titled “State Law is Ambiguous and Allows for Abuse” does not belong in an audit of the City or TDDs. It is legislative commentary, not an audit finding. If you are upset with State law, seek to change the law.



X. Conclusion

The audit is biased, incomplete, and legally flawed. It misstates statutory requirements, ignores economic realities, omits critical interviews, and selectively presents facts to support a predetermined narrative. The City and TDDs followed the law, advanced court-approved projects, achieved economic success, protected taxpayers, and maintained proper alignment between temporary and permanent transportation authorities.



Appendix F
 City of Arnold and Arnold Transportation Development Districts
 City of Arnold and ARC TDD Responses to Audit Recommendations

Appendix A – Point-by-Point Rebuttal Matrix

| Audit Finding / Assertion | City & TDD Response | Supporting Evidence & Citations |
|--|--|--|
| 1. “Conflicts of interest resulted in TDD taxes funding City developments.” | TDD revenue is a lawful, bond-counsel-approved source for TIF obligations. The TDD and TIF districts are interdependent: TDD-funded infrastructure enables the commercial activity that generates TIF revenue. | <ul style="list-style-type: none"> • Missouri TIF statutes allow EATs (economic activity taxes)—including TDD sales tax—to flow to TIFs. • ARC TDD taxable sales increased from \$128.9M (2005) to \$349.4M (2022). • Bond counsel approved the structure; auditors did not interview counsel. BOB DID WE DENY THIS PLEASE ADVISE |
| 2. “TDD has no viable projects.” | Incorrect. Three of eight viable projects specifically enumerated in the TDD have not been completed, including the connector road - (Project #1) in the court-approved formation documents. “Viable” is undefined and misapplied. | <ul style="list-style-type: none"> • Audit text acknowledges connector road remains incomplete. • Engineering plans prepared; financing structure underway. • No statutory deadline for project completion. • Only five of eight projects approved by the Missouri Highway Department of Transportation, Bond Counsel, and the Circuit Court in 2007 have been completed. |
| 3. “The ARC TDD Board confirmed all but two of the projects (within the TDD) have been completed, stating the connector road between Missouri Highway 141 and Michigan Avenue (Project 1) and various improvements benefitting the district (project 8) have not been completed” | Incorrect. Three of eight viable projects specifically enumerated in the TDD have not been completed. | <ul style="list-style-type: none"> • The following projects have not been completed: (Project 1) – “a new connection road between Highway 141 and Michigan” (Project 7) – “landscaping and beautification of the intersection of Highway 141 and Interstate 55” and (Project 8) “improvements to Jeffco Boulevard, Highway 141 and other publicly accessible roadways, parking facilities and transportation related improvements benefitting the District.” |




Appendix F
 City of Arnold and Arnold Transportation Development Districts
 City of Arnold and ARC TDD Responses to Audit Recommendations

| | | |
|---|--|---|
| 4. "Property acquisition outside TDD boundaries is improper." | State law permits acquisition outside district boundaries when necessary for approved projects. The court-approved project list includes improvements requiring such acquisitions. | <ul style="list-style-type: none"> • §238.207 and §238.220 RSMo allow project scope beyond boundaries. • Connector road cannot be built without acquiring certain parcels outside the district. |
| 5. "City Attorney involvement created conflicts." | Mischaracterization. Multi-party infrastructure projects require coordinated legal drafting. All parties had counsel; the City Attorney drafted initial documents at significantly lower cost than bond counsel. | <ul style="list-style-type: none"> • Standard practice in multi-party agreements. • City Attorney billed at ½-¼ of bond counsel's rate. |
| 6. "Closed sessions were improper." | Real estate acquisition and condemnation discussions are explicitly exempt from open-meeting requirements. Closed sessions prevent speculation and inflated prices. | <ul style="list-style-type: none"> • §610.021 RSMo authorizes closed sessions for real estate and litigation. • TDDs lack condemnation authority; City must discuss delegation privately. |
| 7. "City conducted 'show votes' to mislead the public." | Incorrect. The TDD cannot complete projects without City authorization. City votes are substantive and required, not symbolic. | <ul style="list-style-type: none"> • Statutory structure requires coordinated action between City and TDD. |
| 8. "TDD tax not displayed on receipts." | The audit acknowledges such display is not required. Including this point is irrelevant and misleading. | <ul style="list-style-type: none"> • Audit text: "While such break out is not required..." |
| 9. "Lack of oversight of TDD revenue processing." | False. The TDD undergoes annual third-party financial audits with no negative findings. Auditor managers were informed of this. | <ul style="list-style-type: none"> • Annual audits performed under GASB standards. • Audit text concedes no discrepancies were found. |
| 10. "TIF revenues not segregated as required by law." | Incorrect. Revenues are properly segregated in the Special Allocation Fund. The auditors misunderstood the accounting structure. | <ul style="list-style-type: none"> • FY24 ACFR p. 13 and p. 109 show proper segregation. |



Appendix F
 City of Arnold and Arnold Transportation Development Districts
 City of Arnold and ARC TDD Responses to Audit Recommendations

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| 11. "TIF reports not filed." | True, but context omitted. A four-month vacancy in the Finance Director position in 2018 caused an inadvertent lapse. No notices were received from the state. | <ul style="list-style-type: none"> • FY24 ACFR notes staffing transition. • No evidence of intentional noncompliance and no notices of deficiencies from the State were ever received. |
| 12. "State law is ambiguous and allows for abuse." | Irrelevant to an audit of the City or TDDs. This is legislative commentary, not an audit finding. | <ul style="list-style-type: none"> • No statutory violation identified. • Outside the scope of a performance audit. |
| 13. "Eminent domain withdrawal made the connector road not viable." | Incorrect. Roads are built on available property. Lack of eminent domain affects alignment options, not viability. | <ul style="list-style-type: none"> • TDD continues voluntary acquisitions. • Connector road remains an approved, active project. |
| 14. "Subpoenas Required" | Auditors sought documentation protected by state and federal law. When the City requested authority for the request, the audit team provided citations to Missouri Statute that did not provide the authority. City refused to provide documents (including personal and personnel information) without a court order. | <ul style="list-style-type: none"> • City filed suit seeking guidance from the Circuit Court. • The Court agreed that it should review, in private, the information cited by the City. |
| 15. "Intentionally Misleading Statement" (p. 38) | Statements were not misleading. The city attorney has never been the appointed attorney for the TDD. City attorney has done work that has benefited the City and TDD. This is not misleading. It is factual. | <ul style="list-style-type: none"> • Report suggests that the actions be prosecuted in municipal court, but this is a state offense and municipal court lacks jurisdiction. • This conclusion shows further misunderstanding of the law or maliciousness on the part of the audit team. • Moreover, the statute of limitations has expired. |
| 16. "Audit mentions whistleblower" (p. 15) |  | <ul style="list-style-type: none"> • RSMo 105.1500 makes such release of protected information a Class B misdemeanor. • The audit team failed to review this statute and the consequences of the action. |



Appendix F
 City of Arnold and Arnold Transportation Development Districts
 City of Arnold and ARC TDD Responses to Audit Recommendations

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| <p>17. "Audit mentions 22 billing statements by the city attorney between 6/24 and 11/1, 2024"</p> | <p>The audit team did not bother to contact the city attorney regarding the work performed. Instead, the audit team relied on an outside party. Audit team acknowledged that it did not bother to contact the city attorney.</p> | <ul style="list-style-type: none"> • The city attorney provided dated, detailed email documentation supporting each billing entry. • The audit team's response is evidence of bad faith. |
| <p>18. "The TDD has not been abolished despite not having any outstanding debt or remaining viable projects."</p> | <p>Incorrect. As aforementioned, three of eight viable projects specifically enumerated in the TDD have not been completed.</p> | <ul style="list-style-type: none"> • The following projects have not been completed: (Project 1) – "a new connection road between Highway 141 and Michigan" (Project 7) – "landscaping and beautification of the intersection of Highway 141 and Interstate 55" and (Project 8) "improvements to Jeffco Boulevard, Highway 141 and other publicly accessible roadways, parking facilities and transportation related improvements benefitting the District." Below are examples of some, but not all viable projects, that fall under the scope of (Project 8) |

*(Project 8) Some, but not all, of the projects yet to be completed are as follows:

1. Improve intersections throughout TDD, including:
 - a. Extend right turn lanes. Examples:
 - West-bound 141 turning into Arnold Crossroads (near Sybergs)
 - North-bound Jeffco turning onto Michigan (near former Jack in the Box)
 - East-bound Old Lemay Ferry turning into Church Road (near Lewes)
 - Southern termination of Michigan turning onto Church (near Holy Family Church)
 - b. Improve sight distance. Examples:
 - Intersection of Michigan Avenue and Church Road
 - Michigan Avenue curve at Walmart stop sign
 - Jeffco Boulevard curve for Raising Canes egress

These projects will improve traffic flow within and throughout the TDD, including at the dangerous intersection of Jeffco Boulevard and Highway 141, where 55 accidents occurred in 2025. Immediately west, at Lonestar Drive and Highway 141, there were an additional 33 accidents that same year. In total,



Appendix F
City of Arnold and Arnold Transportation Development Districts
City of Arnold and ARC TDD Responses to Audit Recommendations

these two adjacent intersections experienced 88 accidents in one year—nearly two per week. Anyone who has driven through these intersections recognizes the urgent need for safety improvements.

2. Realign internal roadways to improve maneuverability, business visibility, and reduce conflict zones. Examples: Arnold Crossroads out lot roadways (near Arby's, Starbucks), internal drive between Lowes/Dollar Tree that is offset from stop sign at center detention pond, Water Tower Place area with USPS/Local House/Bike-Tec, etc.
3. Improve bicycle and pedestrian access with more/safer sidewalks, crossings, etc., and expanding connections to nearby residential areas. Consider a dedicated non-vehicular I-55 crossing at Arnold Crossroads, a desirable connection for Fox students and bring foot traffic through portions of the shopping district.
4. Beautification of internal areas with landscaping and wayfinding signage to create sense of place/desirable shopping district. Examples: More light standards with options for banner signage than just along Michigan Avenue, improvements and expansions of existing landscaping areas.