

**Finance Commission  
Meeting Minutes  
June 3, 2021**

*Pursuant to Minn. Stat. 13.D.021, Finance Commission members, City Staff, and members of the public participated in this meeting electronically due to the COVID-19 pandemic.*

**Roll Call/Announcements**

The Finance Commission (FC) meeting was called to order at 6:30 p.m. Vice Chair Sagisser requested staff call the roll.

**Commissioners Present:** Siafa Barclay, Bruce Bester, Rachel Japuntich, Ryan Lee, John Murray, Dan Sagisser

**Commissioners Absent:** Wanda Davies

**Receive Public Comments**

There being no one present wishing to speak to the Commission on an item not on the agenda, the Vice Chair moved to the next agenda item.

**Approval of Meeting Minutes**

Commissioner Barclay stated line 139 should be changed to: “Ms. Kelsey explained one way is to ~~the~~ put the information in the newsletter...”

Commissioner Murray moved, seconded by Commissioner Japuntich to approve the May 11, 2021 meeting minutes as amended. **The motion carried unanimously.**

**Review Recycling Proposals**

Public Works Director Marc Culver presented the recycling proposals to the Commission.

Commissioner Bester thought if the index values that were in the proposal for 2021 are at all what they are likely to be looking forward, he knew they were highly variable, but that is going to cover a lot of the new processing fee.

Mr. Culver indicated there is certainly a reward opportunity with the revenue sharing and it looks like it is going in a positive direction. Staff is recommending and the Public Works Commission agreed, the shorter contract amount of 3.5 years to see how the recycling market recovers and if there is some stability over a period of time. He noted there has not been stability for five years.

In any event, whether the City goes with or without the revenue sharing he would still recommend the 3.5-year model which will give them the opportunity to make the decision about whether the City buys its own carts in a few years.

Commissioner Barclay asked how the participation rates and low residual rates of the Roseville recycling markets may have an impact on future costs.

Mr. Culver thought the City has really benefited over the last two contracts because of that. Eureka has been the City's recycling contractor since the early 2000's. When the City went to the carts in 2012-2015 the City got a really good rate at that point because Eureka knew what the City's market was and also Eureka was really confident that with the carts there would be a much larger participation rate. Eureka took a little bit of a gamble on the City by giving Roseville a really good rate at that point and it paid off for them. The City also maintained that good rate with the next contract even with revenue sharing. The base rate was still really good in 2016-2017 with Eureka and now it is starting to catch up with the City because of the performance of the markets and is not a reflection of anything changing in Roseville, as far as the participation rates. It really comes down to those index values.

Commissioner Murray indicated looking at proposal 2, version A-1 versus C-1, the difference is who owned the carts and looking at the numbers the difference is .83 a month for Eureka to do this.

Mr. Culver indicated if the City were to amortize the carts over fifteen years the price per month would be approximately .33. If the City were to amortize them over ten years the price per month would be around .50.

Vice Chair Sagisser asked if the City Council requested the Finance Commission give a recommendation for this.

Ms. Pietrick thought the Council was looking for a recommendation or comments with regard to the fee.

Vice Chair Sagisser asked if the Commission had a recommendation to give to the City Council.

Commissioner Japuntich indicated she would recommend going with what the Public Works Commission came up with. She thought the benefit of owning a cart right now does not look like it is paying off. The neighboring cities that do own carts, their rates are higher as well as the proposed rates received, they are not any lower by owning the carts. She would also recommend not going with the revenue sharing based off the volatility of the market and knowing that there is not yet a place for glass and glass makes up seventeen percent of the mix.

Commissioner Murray indicated historically the City has come out pretty well on revenue sharing, not in the last few years, but someone absorbs the risk in these deals when there is revenue sharing. If Eureka is absorbing the risk, they have to pad the numbers a little bit in their favor to do it. He thought the City should take a chance.

Commissioner Bester agreed with Commissioner Murray's assessment and was hopeful that this is at profitable as it can be. He wondered if the City had any leeway if it is very profitable and works out as good as it can. Would the City have an option to make an adjustment to the homeowner's fees in a future year.

Mr. Culver explained if the City went with the revenue sharing model and they maintained in the budget an additional cost beyond the fixed cost with the expectation of losing money in the revenue sharing rather than making money on it or breaking even then at some point if that revenue sharing remains positive and becomes more stable than the budget could be reduced for the extra dollars and maybe eventually the City can increase its budget to show that revenue instead of a cost on that item. He thought if that were to happen the City could maintain the same fee over a period of time instead of reducing the fee to the residents.

Vice Chair Sagisser indicated he could go either way on the revenue sharing.

Commissioner Japuntich asked Mr. Culver if he could get some kind of a chart showing revenue sharing versus non-revenue sharing.

Mr. Culver indicated he could get that information with different levels of sensitivity on impacts to the City.

Commissioner Japuntich moved, seconded by Commissioner Murray to recommend to the City Council move forward with proposer 2, with either proposal A-1 or A-2 with the Council deciding between revenue sharing or non-revenue sharing. **The motion carried unanimously.**

### **Receive Finance Commission Recommendations Tracking Report**

Commissioner Bester reviewed the tracking report with the Commission. He noted he made some format changes. He explained on recommendation 2020-2 he did not have any background information on the discussion and next steps, and he hoped someone could fill that in for him.

Ms. Pietrick indicated this was discussed a couple of months ago. She indicated she has looked backwards and has not really found anything regarding this item. This was referred to Council for them to make a decision and it could be discussed when she brings all of the cash reserve language forward because all of the funds will be looked at during the next Commission meeting. This is one of the funds on the list. She noted she will have some recommendations to bring to the Commission at the meeting in July because the Commission will be looking at the cash reserves then.

### **Review Draft 2022-2041 Capital Improvement Plan & Tentative Funding Strategies**

Finance Director Pietrick stated the Capital Improvement Plan contains the larger ticket items. There are individual funds set aside for each different departments or type of equipment. She reviewed the draft CIP with the Commission.

Commissioner Murray asked if the City recently sold the fire station.

Ms. Pietrick indicated there currently is a due diligence period and once the sale is finalized she has slotted that money to go into the pavement management program to repay the loan.

Commissioner Murray asked what the logic is of putting the money into the pavement management fund rather than the fire department fund. He asked if the Council told the Finance Department to do that or how did staff come to that conclusion.

Ms. Pietrick explained the street fund lent a million and a half dollars to purchase the Lexington shops and part of that original agreement involved the owner of the shops having an option to obtain the fire station. That fell through and bids were solicited. At this point she has a receivable on the books with 1.3 million dollars coming in and she is relying on the original agreement where this was what the intended consequence was.

Commissioner Murray asked if the OVAL was in the CIP.

Ms. Pietrick explained the majority of the OVAL was in the 2021 CIP and the City did receive 3.9 million dollars of State bonding. There were a few components that were not funded with the State bonding that are in the 2022 CIP and those items may get moved out further. She noted the City has been trying to get some more State bonding.

Commissioner Bester asked if the proposed levy increase covers them for the first round of increases but does not intend to do the whole twenty years.

Ms. Pietrick indicated the increase gets the City going on the right track, it does not get the City the full twenty years, but she did take a look at the outlying years and there are a couple of funds that in about five or six years the City will be able to reduce slightly and offset some future increases with decreases.

Commissioner Bester thought there should be minimal impact in the 2022 budget for the Master Campus plan.

Ms. Pietrick indicated that was correct.

Vice Chair Sagisser explained he liked the capital improvement plan idea of starting now instead of doing it all at once.

Commissioner Japuntich agreed and thought it seemed like a reasonable amount. She would like to see going forward in the future some adjustments being made so there is not a proposed decrease.

Ms. Pietrick explained historically the Commission has looked at the CIP at two meetings. She did not know if the Commission wanted to discuss this again at the July meeting.

Vice Chair Sagisser thought it would be nice to have Chair Davies look at this item before the Commission votes on it.

### **Staff Update**

Finance Director Pietrick indicated she did not have any staff updates other than the City Council discussing when the Commissions and Council will be back to meeting in person versus virtual.

### **Identify Discussion Items for Future Meetings**

Finance Director Pietrick stated the next agenda would include discussions on review number two of the CIP, review 2022 budgetary impacts and City Council priorities, which at this time is tentative. The Commission is also supposed to look at the Cash Reserve levels.

Vice Chair Sagisser indicated he watched the video of last months' meeting where Commissioner Murray pointed out and Chair Davies agreed that the Commission should discuss more of the \$4,000 fee for parks when a unit is subdivided or when a house is built and talk to the Parks Director to get information from him on that. He would also like information on that.

Commissioner Murray thought where he would like to start with that is to find out how much that \$4,000 fee of revenue has been generating. It looked to him that it is not a stable way to finance parks.

Vice Chair Sagisser indicated that was his thought as well.

### **Adjourn**

Commissioner Bester made a motion, seconded by Commissioner Japuntich to adjourn. The **motion passed unanimously.**

Meeting adjourned at 8:18 p.m.