

## **Finance Commission Meeting Minutes August 13, 2019**

### **Roll Call/Announcements**

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

**Commissioners Present:** Matt Harold, Edwin Hodder, Ryan Lee, John Murray, Jack Reif, and Dan Sagisser

**Commissioners Absent:** None.

**Staff Present:** Finance Director Chris Miller

### **Receive Public Comments**

Chair Hodder thanked Mr. Miller for seventeen years with the City of Roseville and wished him well in his new job.

Mr. Miller thanked Chair Hodder for his comments and indicated he will miss this group but the job he has taken is a unique opportunity for him and is looking forward to it.

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

### **Approval of Meeting Minutes**

Commissioner Reif noted on line 94, after “Green fees sold, and the number of league participants it has.”. Line 114 there should be a question mark at the end of the sentence. Line 136, after St. Paul insert “and he asked...”. Line 139, “Mr. Miller explained the city water supply usage...”. Line 147, the second to the last word should be “do” instead of “does”. Line 153, third word should be “too”. Line 175, the fourth word should be “do” instead of “does”. Line 184, it should read “Pavement Management Program” instead of “Permit”.

Commissioner Reif indicated on Line 205, he was not sure what word should be added to the sentence but needed to remove invoke “staff is suggesting it will need to ~~invoke~~ the entire strip mall.”

Mr. Miller noted he will go back and review the meeting for the word that was used. (Note - the word “invoke” was used)

Commissioner Reif stated on line 207, after the word taxes he would insert the word “are”. Line 220, instead of “on” replace with “regarding” and “are” before taxable. Line 233, after Commissioner Murray insert “noted that”. Line 322, “Commissioner Reif indicated on page 44 of the report where the footnote is deals with authorized ~~as far as~~ investments...”.

Commissioner Reif noted for clarification purposes on line 348 remove the two words at the end of the sentence “do this” and insert “put some money into an index fund or with the State Investment Board” to clarify what was intended there.

Commissioner Harold noted he was listed as a Commissioner present and absent and he was absent at that meeting.

Chair Hodder noted on line 90, “Commissioner” should be changed to “Chair”.

Commissioner Harold moved, seconded by Commissioner Sagisser to approve the June 11, 2019 meeting minutes as amended. **The motion carried unanimously.**

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

Finance Director Miller reviewed the tracking report with the Commission. Noting one new addition per the Finance Commission request, item no. 2019-4, Alternative Investment Options. He indicated this is scheduled to be presented to the city Council at their September 16<sup>th</sup> meeting.

### **Consider Establishing a Recommendation on the Use of the Cash Reserve Fund for the Emerald Ash Borer Program**

Finance Director Miller explained the Commission is asked to consider establishing a recommendation on the use of the Cash Reserve Fund for the Emerald Ash Borer (EAB) program.

Parks and Recreation Director Lonnie Brokke, Parks and Recreation Commissioners Jerry Stoner and Mr. Greg Hoag made a presentation to the Finance Commission on the Emerald Ash Borer program.

Commissioner Lee asked what the Emerald Ash trees are being replaced with.

Parks Commissioner Hoag indicated the trees are being replaced with a large variety of trees. He noted the city has a replacement master plan that has a larger list of trees.

Commissioner Reif asked if there was a legal requirement that states cities have to deal with Emerald Ash Borer diseased trees.

Mr. Brokke explained there is a State law that says it is up to the municipality. The city has an ordinance that does have that requirement.

Commissioner Reif asked what the St. Paul Campus of the University of Minnesota is doing about this.

Parks Commissioner Hoag indicated every city is taking a different approach to this disease. St. Paul and Minneapolis, for the most part have started to decimate their trees canopy by taking down all of the Emerald Ash trees at once.

Chair Hodder asked if the cities are looking at more climate resilient trees as dealing with climate change and zonal changes in the area.

Mr. Brokke indicated there are weather tolerant trees that grow in the area and continual research on those kinds of things and the City of Roseville is working with tree contractors and growers to make sure the trees being planted are weather tolerant.

Parks Commissioner Stoner indicated if the Parks Commission decided to move forward with this it would be a multi-year program and at that point contracts would start to be locked in and better rates would entail.

Mr. Brokke explained the city would pursue this on a proposal process and would ideally like to work with one contractor that works with subcontractors and growers with parameters for this.

Commissioner Harold asked if the Parks Commission considered an IDIQ (Indefinite Delivery Indefinite Quantity) contract for work like this. This is not a complete multi-year contract, but a duration is set with the indication that a set number of trees would be replaced in year one and then based on the results of year one there would be a pre-negotiated price to move forward with different work packages.

Mr. Brokke indicated he would like to talk to Commissioner Harold more about this. He thought it is similar to what the City of Roseville has done with the Natural Resource Program.

Commissioner Harold asked if there is a similar long-term layout if no changes were made at this time and what would the plan look like moving forward.

Mr. Brokke indicated if nothing was done the annual budget allocation would remain at \$50,000 a year and would be more of a removal program rather than a replacement program. He did not think that would keep up with the necessary removals because of hazards.

Commissioner Lee indicated he loved the canopies in the parks but from a hard numbers perspective he did not see any options for recommendations based on what has been presented.

Commissioner Murray explained when the Cash Reserve Fund was set up, it was more easily understood by the city Council what financial resources would be available to use for new

programs. He thought it was the Council's prerogative to decide between various competing needs of the city and not up to the Finance Commission. If the city Council wants to use the money for the Emerald Ash Borer program, then the city Council could do that.

Commissioner Reif thought the Council sent this back to the Finance Commission for thoughts on this program.

Commissioner Sagisser wondered if the thought was if this program fit under the budget.

Commissioner Murray indicated this is a worthy program and one of many.

Chair Hodder asked if staff has taken a look at the proposal as proposed.

Mr. Miller indicated he has not and was not sure if the City Manager has given Mr. Brokke any feedback on it.

Mr. Brokke indicated he has not gotten any negative feedback and the proposed program has actually received positive feedback and is a program that the monies could be used for. He indicated the Parks Commission and staff would be looking for a cost-effective program over time and from his perspective it would be more cost effective to do this as one program.

Commissioner Stoner asked the Finance Commission if this program is an appropriate use of the Cash Reserves.

Commissioner Lee felt this could be a long-term drawn-out program that could be funded as opposed to funding an emergency that came up overnight. He thought this was an admirable program which needs funding but was not sure if the Cash Reserves was meant for something that is ten years in the future.

Commissioner Sagisser thought it would make more sense to use Cash Reserves if the plan was to remove all of the trees in one year.

Commissioner Murray indicated right now the city has a Cash Reserve but in the future the city may not have those funds.

Chair Hodder noted one of the issues that will come up during the budget discussion that there are a lot of needs in the 2020 budget. The percentage increases were also significant from 2019 to 2020. That's something that will weigh heavily on the Commission tonight when we have the county and the school district that also have major capital needs. We will need to look at all three entities and examine the impact on the average residential household".

Commissioner Harold thought he would envision this, if sitting on the Council, that any given year of this program the city could potentially use the excess cash reserves to fund on an annual basis but it is such a volatile number that he would be hard pressed to authorize the use of cash

reserves every year to pay for \$150,000 of that program. If that was going to be a plan, he thought that should come through the Parks and Recreation budget and be a planned implementation through their budget and not just planning on taking cash reserves out every year for that purpose.

Mr. Brokke noted that if the Finance Commission authorized the use of the Cash Reserve fund for this program the funds would be set aside in for EAB and would be placed back in the Parks and Recreation budget to be used over time for this program.

Commissioner Harold wondered if the Finance Commission was ready to recommend taking \$634,000 from the Cash Reserves and moving it to the Parks and Recreation budget. He could not see recommending taking money in excess of the minimum in the General Fund.

Chair Hodder thought the Finance Commission is going to have to make a lot of decisions regarding the 2020 budget. He asked if comments could be taken from the public.

Ms. Cynthia White, explained this spring she was house sitting for a friend of hers and a very large branch came off of her Ash tree into the boulevard and the house across the street also had a branch come off his Ash tree a few hours later. It completely blocked the street and was unexpected. Everyone was very lucky that a car was not passing through at the time or that a child or adult was not walking when the branch fell off. She was not sure if the city would be liable in that circumstance or not. She suspects that a lot of these trees are accidents waiting to happen. She noted the city responded extremely fast and she suspected it was more expensive to get someone out to clear the tree on that kind of a notice then it would be in a planned kind of way. She did not think a price could be put on being able to have no one hurt, not car or house destruction, etc. She would think this plan sounds very sensible to her and was not sure why the Council sent this back to the Finance Commission to review but thought the Commission want to provide some reasoned logic to Mr. Brokke's approach. It seemed to her that the city just cannot let it go. She also wondered if a resident did not want a replacement tree in the boulevard would that be an option.

Mr. Miller indicated in regard to liability, if it is a tree on private property and it happens to fall it would not necessarily create a liability for the city. The city's liability would come in when the city would demonstrate some sort of negligence. If through nature a tree or limb were to fall and nothing to suggest to a reasonable eye that it was in danger of falling, he was not sure it would create any liability.

Park Commissioner Hoag stated it depends on where the tree is located and if a tree should be there in the first place.

Commissioner Lee asked how this would compare to trees the die from old age and what is the budget for that.

Mr. Brokke indicated there is a \$78,000 annual budget for disease and hazardous tree for that program and is not all full tree replacement. The city does as much as it can in house but some of the bigger stuff is hired out.

Commissioner Sagisser asked if the State Grant money does show up would the plan be to accelerate this or to reduce need.

Mr. Brokke thought that would depend on the proposals that the city would get and would replace some of the monies the Parks and Recreation would get.

Commissioner Lee thought the Commission has exhausted all possible questions for the Parks and Recreation Commission and should take some time to ponder this and move onto other items on the agenda.

Chair Hodder agreed and suggested this matter be discussed in September with some recommendations that the Commission sees fit.

### **Receive An Historical Review of the City's Property Tax Levy & Budget**

Finance Director Miller reviewed the city's property tax levy & budget history with the Commission. He indicated tax rates have been going up and have outpaced inflation. What has been driving that has been some of the city's capital investments and other operations-based decisions the city has had to make as well.

Chair Hodder thought this was a great overview and does help frame and tee off the discussion for the City Manager's recommended budget item.

### **Discuss Recommendations on the 2020 City Manager Recommended Budget and Tax Levy**

Finance Director Miller reviewed the 2020 City Manager recommended Budget and Tax Levy with the Commission.

Chair Hodder asked if there are police incident numbers for 2018.

Mr. Miller thought it was around this time that the stats do come out but have not heard from the Police Department if those numbers have been published.

Commissioner Harold noted regarding the stopping of the use of General Fund reserves to balance the budget, he thought this Commission had been making that recommendation for awhile but he thought two or three years ago the Finance Commission recommended a more gradual approach and he thought this recommended budget illustrates the benefit of doing a gradual approach. The city is looking at a substantial increase in the levy while at the same time coming off of a reliance on Cash Reserves and based on the most recent numbers seen he

wondered if there was an opportunity to soften the blow and do one final transition and use some of the existing funds to offset the levy a little bit. He asked if the \$285,000 number the Commission was looking at in the EAB current or is there a number that staff projects the fund to be at in December 2019.

Mr. Miller explained that is the number at the end of 2018 and he indicated he did not have a projection for 2019. For the first six months the city is trending as expected and the expectation is in 2019 the Cash Reserves would be drawn down by \$340,000 because that is what was programmed into the 2019 budget.

Commissioner Harold noted at the end of 2019 the city would be at a deficit below the minimum target of the General Fund by approximately \$60,000.

Mr. Miller indicated that is true with the caveat that there are a lot of moving pieces to a very complex General Fund budget and that is only through the first six months.

Commissioner Harold thought if the city is farther along in the process and staff felt there might be some other reserves then he thought to use it to soften the blow, so to speak, on the levy might be appropriate.

Commissioner Murray indicated looking at the 12.8 percent increase he was choking on that number and is not reasonable. He was also aware that Ramsey County is going up by ten percent. He noted taxes are paid out of current income and current income is not going up that much so if the city could hold it down to somewhere close to inflation that would be more palatable to him.

Chair Hodder remembered that discussion about doing things more gradually, particularly with restoring funds. There was talk about the pavement management fund specifically, which was putting a little bit aside, so the fund does not completely bottom out. He thought in this case that Commissioner Harold's point is well taken. He wondered if there was a way to soften that blow so the city is not seeing the increase all at once.

Commissioner Murray thought a three percent increase would be more reasonable.

Commissioner Harold thought there was somewhere in the packet where it outlined the new initiatives and had separate dollar amounts for those as well as the cost of living increases and another existing program increases. He thought unless there was talk about removal of the new programs or budget cuts the city is pretty much stuck at the \$600,000. If the General Fund does not have any cash reserves at the end of the year the city is stuck at the \$340,000. He thought for the median homeowner the increase would be close to five percent.

Mr. Miller stated the Commission can be as specific as it wants in a recommendation to the city Council or the Commission could be more policy driven.

Commissioner Sagisser thought if this were to go above inflation, he thought the question that should be able to be answered easily is what the residents are getting from the increase and nothing jumps out at him.

Commissioner Harold noted the city will be getting four new Police Officers and three new Fire Fighters.

Commissioner Sagisser explained for the general population that will not be as evident as if a new school building were the reason for the increase.

Chair Hodder felt the five to six percent increase was reasonable given inflation. He suggested the Commission review the information in the packet and revisit this again at the September meeting.

### **Identify Topics & Recommendations for the Joint City Council-Finance Commission Meeting**

Finance Director Chris Miller explained he identified six different areas where recommendations have been already generated by the Finance Commission or still in play waiting for the Commission to come up with a recommendation. He reviewed the six items with the Commission.

Mr. Miller noted an item that the Commission discussed at the May meeting was an item Commissioner Murray brought up which was to look at alternative investment options that are now available to the city. The Commission did make a recommendation to the Council that the city should take a look at taking advantage of that and to look to partner with the State Board of Investment to enter into that opportunity or get involved in some other separate index fund which can take advantage of some of the gains the stock market has been producing over the last couple of years.

Mr. Miller explained the City Manager has suggested the city break off \$200,000 of the money that was suggested going to the Pavement Improvement program. It is now suggested instead of 390,000 going to that program that \$190,000 go to the program and \$200,000 of that would be directed to the General Operations Fund to help shoulder some of the tax levy burden. The Finance Commission has not formulated any recommendations on the CIP funding strategies.

Chair Hodder asked if there was a way to revise the scenarios the Finance Commission would utilize to reflect where the funds are currently. He knew when the Finance Commission talked about the Pavement Management program there was much more in there then what is in there now.

Commissioner Harold indicated he could take the latest numbers from the CIP that Mr. Miller provided and update the scenarios for the Finance Commission.

**Identify Discussion Items for the Future Meeting**

Finance Director Miller reviewed the items to be discussed at the September meeting.

**Adjourn**

Commissioner Harold made a motion, seconded by Commissioner Lee to adjourn. The **motion passed unanimously.**

Meeting adjourned at 8:32 p.m.