

**Finance Commission
Meeting Minutes
September 10, 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: City Manager Patrick Trudgeon

Approve Agenda

The agenda was approved as distributed.

Receive Public Comments

Ms. Cynthia White, Churchill Street

Ms. White wondered what the interest was on the city's current debt. She knew that at the time the city had gotten the parks bond, the interest rate was quite low and is still low. She wondered if the current interest rate is lower than a couple of years ago. If it is, she wondered if the city should consider paying that off and getting a new loan with a lower debt.

Mr. Trudgeon indicated he did not know the rate off hand but would find that out and send the information to Ms. White along with information to the Finance Commission.

Approval of Meeting Minutes

Commissioner Reif noted line 113 should be changed to: "subcontractors." Line 268 should be changed to: "on cash reserves".

Commissioner Murray indicated line 289 should be changed to: "choking".

Chair Hodder explained line 171 to 176 should be changed to: "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 Murray moved, seconded by Commissioner Reif to approve the August 13, 2019 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Harold noted there were no changes from the last meeting and no recommendations were made.

Establish A Recommendation on the Use of the Cash Reserve Fund for the Emerald Ash Borer Program

Chair Hodder explained the city Council directed the Finance Commission to review a specific proposal to utilize the newly created Cash Reserve Fund to provide monies for the city's Emerald Ash Borer (EAB) Program. The proposal was made by the Parks & Recreation Commission during their joint meeting with the Council on June 17, 2019. The Finance Commission is asked to prepare a recommendation on whether to use available monies from the Cash Reserve Fund towards the EAB Program.

Commissioner Murray thought this was a management issue and the Council should determine that. If the Council decides to use the Cash Reserve Fund or include this in the budget is up to them and not for the Finance Commission to decide. He noted he would lean against doing it and thought it should be included in the budget because it is a long-term program and should be a budgetary item.

Commissioner Reif indicated he agreed and thought it should be a budgetary item that should be included in the Parks and Receptions budget proposal each year that it makes sense to have the Council decide if the amount being asked for is appropriate. He would hesitate to make a commitment for multiple years out into the future to totally dedicate funds for that for six or seven years out.

Commissioner Lee concurred.

Commissioner Sagisser agreed and thought if this was a short-term thing it would be different but that is not what the Parks and Recreation Commission is asking for, the Parks and Recreation Commission is asking for long term which should be a part of the budgeting process.

Commissioner Harold disagreed because he thought a five-year program was not so long that it could not be used for this. He thought this type of project where the current policy is when the tree dies to cut it down and this was a way to be proactive so this sort of finite proactive solution to a problem the city has, in his mind, is a good use of this money. He did not think this was an ongoing thing that the Parks and Recreation Commission is asking for and if it was then it should be a part of the budget. If it is a project that has a start and end date then he thought it would be a good use and a way for the city to be thinking proactively as opposed to just reactive, which is what the city is doing now.

Commissioner Murray did not disagree but was not sure if the Finance Commission should be making this decision as to moving the money around and funding. He thought this was a Council discussion.

Commissioner Harold agreed but indicated the Council kicked this to the Finance Commission to find out if this sort of project would merit the use of money from the Reserve Fund. He thought this type of project would. He noted in regard to bullet point three he did not think the Finance Commission could decide if this project was the best use for the money because there have not been any other requests. He was not comfortable saying this would be the number one priority for the money but he thought this project, if the Council deemed it a priority for the city, would be a valid project for the money, if the money were there but he did not think the city had the money that the Parks and Recreation Commission was requesting.

Commissioner Murray agreed but thought the Council should make the decision.

Commissioner Harold indicated he was in the same mind frame as Commissioner Murray, but the city Council asked for the Finance Commission's input and that would be his input.

Commissioner Harold agreed that he did not think this Commission should give a thumbs up or thumbs down but he thought the questions that the Finance Commission is being asked about whether the project could merit the use of the money and based on the available money he thought those are fair questions.

Commissioner Sagisser thought while looking through the documentation regarding the Cash Reserve Fund that it sounds like there is no real definition of what that fund is for.

The Commission agreed.

Commissioner Sagisser wondered if that was the reason why this item was sent back to the Finance Commission. Would this be an opportunity to define the fund a little bit and what it is for?

Chair Hodder asked for clarity on the rationale that the Council was thinking when this item was sent back to the Commission.

Mr. Trudgeon thought it was a matter of getting the Finance Commission's opinion on whether the Cash Carry Forward Fund should be used for this type of program and also kicked down to the Commission more of a general policy on how that fund can be used. He knew the Commission previously talked about it and in the end came to a conclusion that it is up to the Council to decide. He thought if the Commission came back to the Council with a mixed recommendation that would be ok.

Chair Hodder thought that programs needed to be funded in the budget process and levy and not in the Cash Reserve Fund. There are many competing interests and that is where the Council has to make that call. He thought this particular program can be funded and additional monies can

be done through the levy. He would like to see a gradual approach and would hate to shift those reserves. He would feel more comfortable if that process was done through the levy.

Ms. Cynthia White

Ms. White thought it was a fair question and also wondered if the Parks and Recreation Commission was caught by surprise that this money was swiftly going to be taken from them and whether or not proper consideration was given that the entire set of monies from Parks and Recreation reserves was going to be swept into this other fund that maybe the Parks and Recreation Commission would not have access to. She thought there may have been some unintended consequences as a result of those decisions that the Finance Commission still may need to deal with. Not just with Emerald Ash but with how that fund should be used and when it is appropriate to give some of those funds back to the Parks and Recreation Commission.

Commissioner Reif noted after hearing a number of perspectives on this he agreed with Chair Hodder that it should be a part of the annual budget process and the Parks and Recreation Commission should make a request for what is needed and what the Commission would like to have and let the Council decide what the Commission gets as opposed to asking the Council to make a six or seven year commitment right now because a lot of things could change in that amount of time.

Commissioner Lee thought it was important to look at having the Cash Reserve as a back up for a rainy day for something that cannot be handled between now and the next time where there is the ability to raise funds. Since it is a new fund, making a judicious approach to when to tap into it or when to dispense the funds might set a tone for the fund and what it can be used for in the future even though it has not been yet. By not setting it up for long term programs using it as a piggy bank for an important item that should be taken care of.

Commissioner Sagisser explained he focuses entirely around what is a Cash Reserve Fund for, short term, so the thing that sticks in his head is the long-term project which makes him think this is not the appropriate use for this fund. If the Parks and Recreation Commission wanted an extra injection of cash next year to go for this, he thought that made sense, as an emergency cash reserve function.

Commissioner Reif moved, seconded by Commissioner Murray to fund the Emerald Ash Borer Program through the normal budgetary process.

COMMISSION DISCUSSION

Commissioner Sagisser asked for a friendly amendment to the motion to add “because of the long-term nature of the request.”

Commissioners Reif and Murray agreed to the amendment.

Commissioner Harold asked what was considered long term. This has a potential to be precedent setting. He noted the Parks and Recreation Commission is requesting five years of funding for a

seven-year project. He noted for a city project he would consider that to be short-term and not long-term. He hesitates to say that this money cannot be used for any project that lasts longer than a few years because there could be things that come up that will take a several year commitment that would be potentially unexpected that the city might want to use that fund for. He was ok in saying that the Emerald Ash Borer project is not the best of this money at this time, but he hesitated to set a project length.

Commissioner Reif explained the city has an annual budget process and when commitments are made going out beyond the next year, he did not think that was a prudent way to move forward.

Chair Hodder wondered if the long-term amendment needed to be added to the motion because it is a point well taken. He thought Commissioner Harold's point was well taken because there are a lot of city projects that extend long term. He did not think long-term needed to be in the motion.

Commissioner Harold reviewed a few examples where a need might come up that is critical for the money but may last more than a year and he was not sure if the Commission should set a limit on the time needed to get a project completed in order to use the funds.

Commissioner Lee noted with working in the government sector it can take a long time to get a project going and funded. The first year a project happens that is between budget cycles may be an opportunity to use the Reserve Fund but after that there would be enough time to go through the levy and budget process and if it is going to take any number of years it should be thought to have it funded through the budget and no longer an emergency. At that point he would not want to use the reserve fund money for that.

Commissioner Murray explained the assumption has been that the \$600,000 is going to be there and it may not be. There is also a commitment to the Reserve Fund to shore up the other funds if there is a shortfall so some of it is already committed potentially. It would be very risky to indicate the Emerald Ash Borer program would be funded or anything else outside of the budget process.

Chair Hodder indicated that was his thinking. There are so many competing needs which will be discussed further in the meeting that he was not comfortable doing that without going through the normal budget and levy process. He asked if the amendment to the motion should be removed and state it should be funded through the budget and levy process.

Commission Reif proposed that amendment to the amendment. "Fund through the budget and levy process."

Chair Hodder noted that is the original motion. The amendment was removed from the motion.

The motion carried unanimously.

Establish A Recommendation on the 2020 City Manager Recommended Budget

City Manager Trudgeon indicated the Finance Commission may want to submit guidance or recommendation to the city Council regarding the City Manager's recommended budget & tax levy. He reviewed the information with the Commission.

Commissioner Murray asked how the city is doing on finding a new Finance Director.

Mr. Trudgeon indicated the city is actively reviewing possible candidates and if things go as planned there will be a new Finance Director in place by the beginning of December.

Commissioner Murray thought that Info and Tech should be separated out from under the Finance Department and wondered if that has been done.

Mr. Trudgeon explained the Metro INET is the consortium that is operated by the city and provides services to forty plus local government entities. He indicated he did not have a specific plan at this point but is working on it.

Commissioner Murray indicated a previous member of the Finance Commission brought up some security and liability issues with the technology and asked if that is going to be considered.

Mr. Trudgeon indicated it will be. One of the things the city will need is a dedicated network security specialist.

Commissioner Murray noted on page 6 of the budget Attachment A, he noticed there will be four million dollars in Capital Expenditures under Water, Sewer and Storm and he thought the sewer lines are being replaced on an ongoing basis and he wondered if that program is coming to an end at some point.

Mr. Trudgeon did not think the program is going to be ended. He explained every year the city replaces so many linear feet of sewer.

Commissioner Murray thought this was a three- or four-year program and he wondered if this was going to drop off or drop down significantly in a year or two.

Mr. Trudgeon hoped it will. He noted the city was in a major reinvestment and does not know what the timeframe is, and the city Engineers have also looked to extending the life by lining the sewers.

Commissioner Murray asked if the cost of living increase of three percent was worked into the budget and wondered if that was negotiated.

Mr. Trudgeon explained the city has union and non-union employees. There are five unions and the majority of the unions have negotiated a three percent COLA, cost of living increase, for this year and future years with a three-year contract. The city does try, the best it can, to match the

non-union employees with the same COLA and do not want to have internal disparity and external comparisons are done with other cities that are comparable to the City of Roseville.

Commissioner Murray indicated the Federal Reserve says 2.4 percent and he thought the employees are then given a .6 percent raise.

Chair Hodder thought the States COLA this year was 2.75 percent.

Commissioner Murray thought the city was giving the employees a raise in excess of the Cost of Living.

Mr. Trudgeon thought if pay was narrowly defined on the same track as Cost of Living. City staff looks at a couple of different factors and he thought it was hard to retain employees and how competitive the job market is and the city is already pegged as ninety-six percent of the peer communities as pay so Roseville, as an employee group, is already making less and the city needs to make sure it stays competitive with that and is part of the factor and not a simple formula.

Commissioner Murray asked if turn over has been a problem above normal turnover in the city.

Mr. Trudgeon indicated there is a standard turnover and he did not think it was any greater than normal.

Commissioner Murray noted on page 10 of Attachment A, he brought this up with former Finance Director Miller a number of times, on the audit, he mentioned it is appropriate on a private company audit that normally there is a management letter from the auditors and the auditors have experience with a number of organizations similar and in this case, cities, who are doing things a little different and the auditor usually makes suggestions but the city auditors have not done that. He asked if it would be appropriate to request that.

Mr. Trudgeon indicated that was possible. He noted the auditor does provide a management letter and also came before the Finance Commission before and he wondered if that was asked by the Commission.

Commissioner Murray indicated former Finance Director Miller told him that the auditor does not provide a management letter, an audit report is given but is not the same as a management letter. He noted a management letter would be suggestions about doing something differently or suggestions on ways to do things better.

Mr. Trudgeon indicated he would look into that to find out what information the city receives and if the auditor can provide it.

Commissioner Murray indicated there was mention of an 8.4 increase in the median value of a single family home in Roseville and he reminded staff, the Council and everyone else that regardless of what the increase in the value of the houses are, taxes are paid out of income and

income has not been going up that much. On Attachment C, page one, regarding elections he asked if there was an election in 2017.

Mr. Trudgeon thought it may have been the School Board elections. Those are in odd years.

Commissioner Murray asked what are considered Central Services.

Mr. Trudgeon indicated those are supplies that everyone uses such as paper, primarily.

Commissioner Murray asked if the city is budgeting anything for contingency.

Mr. Trudgeon noted there is not a line item specifically for contingency.

Commissioner Murray indicated there was a line item in 2017 and 2018 for contingency. He corrected himself and noted the actual expenditure was there in 2017 and 2018 but no budget line for it.

Commissioner Murray asked what Neighborhood Enhancements under Community Development Fund was.

Mr. Trudgeon explained the Neighborhood Enhancement Program is a program that started about ten years ago and is proactive code enforcement. Presently staff goes through half the city and does a walk by and note any Code violations. The EDA does fund that through their levy.

Commissioner Murray noted in 2018 the budget showed \$77,000 and then it goes down to \$8,650 for the budget with a big drop and rental licensing drops to zero as well.

Mr. Trudgeon thought it had something to do with how the city accounts for staffing time towards that, but he was not sure and would check further on this.

Commissioner Murray wondered on Attachment D under Elections, what other services and charges was for.

Mr. Trudgeon indicated that is the city contract with the County.

Commissioner Murray indicated he was curious why there is Program Revenue under city Council in Attachment G.

Mr. Trudgeon explained without having the detailed budget sheets he was not sure what that could be.

Commissioner Murray indicated there is also revenue under legal.

Mr. Trudgeon noted if the revenue is attached to legal then it might be fines collected as a part of the legal services.

Commissioner Reif asked with respect to the OVAL, if the city does not get the State funding are there things that do have to be done to keep it operating or can the OVAL limp by for a while.

Mr. Trudgeon explained barring any catastrophic failure, occasionally there will be leaks in the piping system which needs to be repaired. If it is a lot of leaks or in the middle of the OVAL where more concrete would be removed the city could do that, but it would come at an added cost. The city tries to band aid that as much as possible. The system is functioning but a lot of it is old. It is at a critical point where funding is needed and the reason why the city is asking for it.

Commissioner Reif asked if the city is cautiously optimistic about getting the funding from the State.

Mr. Trudgeon indicated he was. Last year the city got a bill introduced with local Legislatures supporting it with a hearing. The city has also gone through the formal process of going through the State for bonding dollars this summer. He feels the city is in a good position for getting funding.

Commissioner Harold thought when looking at a 5.5 percent levy increase the twelve percent budget increase is an eye opener, but it was explained to him zeroing in on the number 5.5 as the total levy increase when considering the three primary categories explained, this is not unreasonable. He thought an 8.4 percent increase for the median value of a home is higher than what he would like but he thought the city is also tied to the realities of the funding formula. There is not really much that can be done to shift the formula when home values go up. Based on the information received on the call data, adding the additional fire fighters and police officers seemed reasonable to him as well.

Commissioner Lee indicated he was comfortable with it.

Chair Hodder asked for clarity on Attachment A, Item 6; there were two yellow highlights on the OSTC Debt 31 and 32 and what those debts were.

Mr. Trudgeon indicated he was not positive but suspected those were related to the Park Improvement Bond from 2011 and the city also borrowed for the Fire Station. He noted he would follow up on that.

Chair Hodder explained as far as the Budget By Detail/By Function the four million for the OVAL, the Finance Commission had discussed previously about the General Reserves and doing a gradual approach and he wondered if something similar could be done for the OVAL such as splitting that in half and would that be an option.

Commissioner Murray thought mechanically either it gets fixed or it does not.

Mr. Trudgeon noted this is all predicated on the State and all that does is change that 12.8 percent and does not change the levy or tax impact to anyone in the community. If looking for tax relief that would not provide the tax relief.

Commissioner Reif moved, seconded by Commissioner Harold to support and recommend to the city Council the 2020 Budget proposed by the City Manager. **The motion carried unanimously.**

Establish a Recommendation on the 2020-2039 Capital Improvement Plan

Chair Hodder noted at previous Finance Commission meetings the group reviewed the 2020-2039 Capital Improvement Plan (CIP) along with the preliminary recommended funding strategies. The Council has asked the Finance Commission to establish a recommendation on the CIP funding strategies to be delivered at the upcoming joint meeting on September 16, 2019.

Mr. Trudgeon reviewed the adjustment to Strategy One with the Commission.

Commissioner Harold reviewed the different scenarios for the Pavement Management Program with the Commission.

Chair Hodder liked the recommendation in the Pavement Management Program that annually smaller contributions are made to shore the fund up to get it closer to stability. He did not like the idea of running out in 2035 and thought the founding mothers and fathers of the city that did this thirty years ago intended this to be a long-term asset. He thought his recommendation would be something similar to the second graph but also some clarification on when the internal loan would be paid back to the fund.

Mr. Trudgeon explained in relation to that, there are a couple of possibilities that have not been executed, one is the sale of the Fire Station on Fairview along with the possibility of some funds going towards doing that. That is his thought and commitment that it will all be paid back to this fund and is the intention of the city Council as well. It is just a matter of the timing of it.

Commissioner Harold reviewed the General Facilities Fund and Park Improvement scenarios with the Commission.

Commissioner Harold moved, seconded by Commissioner Reif to recommend to the city Council the Pavement Management Program recommendation with the long-term smaller levy increases, General Facility Fund recommendation which includes the five-million-dollar cash infusion in 2020 and the Park Improvement Program recommendation to add \$375,000 in 2020. **The motion carried unanimously.**

Confirm Discussion Topics & Recommendations for the Joint City Council-Finance Commission Meeting

City Manager Trudgeon explained earlier this year, the city Council scheduled a joint city Council-Finance Commission meeting for Monday, September 16, 2019. The purpose of the joint meeting is to receive the Commission's recommendation on Establishing a Policy for the use of monies held in the Cash Reserve Fund, cash reserve target levels for the Parks & Recreation Operating Fund, alternative Investment options, changes in funding strategies for the 2020-2039 CIP, use of the newly-established Cash Reserve Fund to provide monies for the EAB Program and the 2020 City Manager recommended budget and tax levy. The Finance Commission is asked to discuss the topics and prepare recommendations for the city Council consideration at the joint meeting.

Commissioner Harold suggested reordering some items and have the Budget and CIP recommendations first in case there is not enough time to discuss everything.

Chair Hodder asked how the Commission would like to delegate the topics to discuss.

Commissioner Murray indicated he would discuss the Alternative Investment Options with the Council.

Commissioner Harold indicated he would discuss the 2020-2039 CIP.

Chair Hodder noted he would discuss the 2020 City Manager recommended Budget and Tax Levy with the Council.

Commissioner Reif indicated he would discuss the EAB topic.

Commissioner Lee thought the Park and Recreation Cash Reserve Target Levels seemed pretty simple and volunteered to discuss it with the Council.

Commissioner Sagisser noted he did not have a lot of history with any of the items and did not feel comfortable presenting them.

Chair Hodder indicated he would cover the Establishing a Policy for the Cash Reserve Fund.

Mr. Trudgeon reviewed with the Commission the order the items will be discussed at the joint meeting.

The Commission concurred.

Identify Discussion Items for the Future Meeting

- Review the Adopted 2020 Preliminary Budget and Levy
- Review the city Council Joint Meeting and feedback
- Review and Adopt the 2020 Proposed Utility Rates

Adjourn

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

Meeting adjourned at 8:08 p.m.