

Commissioners:

Siafa Barclay
Bruce Bester
Wanda Davies

Ryan Lee
John Murray
Jack Reif
Dan Sagisser



Finance Commission Agenda

Tuesday, January 12, 2021
City Council Chambers
6:30 pm

Address:

2660 Civic Center Dr.
Roseville, MN 55113

Phone:

651-792-7002

Website:

www.cityofroseville.com

Following guidance from state health officials, City Council Members will participate in upcoming meetings **electronically pursuant to Minn. Stat. § 13D.021**. Members of the public who wish speak during public comment or an agenda item during this meeting can do so virtually by registering at www.cityofroseville.com/attendmeeting

1. 6:30 P.M. Roll Call / Announcements
2. 6:35 P.M. Receive Public Comments
3. 6:40 P.M. Approve Meeting Minutes

Documents:

[MINUTES FROM NOVEMBER 10, 2020.PDF](#)

4. 6:45 P.M. Receive Finance Commission Recommendations Tracking Report

Documents:

[FINANCE COMMISSION TRACKING REPORT.PDF](#)

5. 7:00 P.M. Review Post Issuance Debt Compliance Policy

Documents:

[POST ISSUANCE DEBT COMPLIANCE POLICY.PDF](#)

6. 7:15 P.M. Final CARES Funding Expenditure Report

Documents:

[FINAL CARES FUNDING EXPENDITURE REPORT.PDF](#)

7. 7:30 P.M. Staff Update

8. 7:35 P.M. Identify Discussion Items For Future Meetings

Documents:

[FINANCE COMMISSION MEETING TOPICS.PDF](#)

9. 7:50 P.M. Adjourn

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 12, 2021
Re: Item #3: Approve the Minutes from the November 10, 2020 Meeting

Background

As an advisory commission to the City Council, the Finance Commission's discussions and recommendations play an important role in setting City policies and influencing decisions on programs and services.

To ensure an accurate historical account of the Finance Commission's activities are preserved, the City maintains a practice of keeping meeting minutes. The attached file contains the draft minutes from the November 10, 2020 meeting. The Commission is asked to review the minutes and identify any typos, errors or inaccuracies of the discussion that took place.

Where applicable, Commission members are asked to identify any necessary corrections at the meeting. The Commission should subsequently vote to approve the amended (if necessary) minutes. Once the minutes are approved, they become part of the City's permanent records.

Staff Recommendation

Review the draft minutes.

Requested Commission Action

Amend (as necessary) and approve the Finance Commission meeting minutes for the November 10, 2020 meeting.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Draft Minutes from the November 10, 2020 Finance Commission Meeting

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**Finance Commission
Meeting Minutes
DRAFT – November 10, 2020 - DRAFT**

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 Davies requested staff call the roll.

Commissioners Present: Bruce Bester, Wanda Davies, Ryan Lee, John Murray, Jack Reif, Dan Sagisser

Commissioners Absent: Siafa Barclay

Staff Present: Finance Director Michelle Pietrick

It was noted Chair Murray was present but unable to hear at the time the meeting started. Once his audio was available, he asked Vice Chair Davies to continue conducting the meeting.

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 Sagisser moved, seconded by Commissioner Lee to approve the October 13, 2020 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Sagisser indicated this report was the same as last meeting. He noted he was still getting up to speed on this item. He asked Ms. Pietrick if the recommendation on the budget was received but no firm final commitment was made.

Ms. Pietrick indicated that was correct and explained December 7th the City Council will take final action on the budget.

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Review 2021 Utility Rates

Finance Director Pietrick reviewed the 2021 Utility Rates with the Finance Commission.

Ms. Jeanne Vogt, Ehlers, presented the Utility Rate Study.

Vice Chair Davies indicated she was confused by the Option 2 annual revenues brought in and had a hard time understanding this because the City would be taking in \$900,000 less. She asked if that money would be made up in usage charges based on the gallons or how are the capital costs covered if there is that much less money coming in.

Ms. Vogt explained both options presented to Council are revenue neutral. The City knows exactly how much revenue needs to be generated to keep the fund healthy for 2021 and going forward. There are two ways to do that, both options will generate the same amount of revenue but is just a matter of where and how that revenue is being generated.

Chair Murray thought that rather than charging per meter, the City would be charging usage for the fixed costs.

Ms. Vogt explained it is just a matter of where the City is allocating those costs. Whether it is going to be in the meter charge or in the consumption charge.

Ms. Vogt continue with her presentation.

Vice Chair Davies asked what the reaction was of the Council regarding the options.

Ms. Vogt indicated the City Council had positive feedback when the study was presented to them. The Council liked both options but were leaning more towards Option Two.

Ms. Pietrick explained the Council did not really indicate one way or the other and wanted to hear from the Finance Commission and PWETC with regard to the two options before making a decision. The Council was receptive to making a change in the model. She noted this will be going back to the City Council on November 30th.

Commissioner Reif asked how many businesses were in the very high commercial category.

Ms. Vogt indicated she could talk about who some of the high commercial users are with the Commission. She explained the largest user by far is Agropur. She reviewed the use and cost. She noted other large use commercial users are Old Dutch, Bimbo Bakeries and CWP Corporate West, the car wash over by Har Mar Mall.

Commissioner Bester explained for him the question seemed to revolve around making sure the City includes all of the fixed costs and he wondered on Option One if the City has included

90 sufficient capital costs to make sure all capital costs are covered because in Option Two the City
91 is adding \$900,000 in WAC fees. He thought it was important to get that part right.

92
93 Ms. Vogt indicated with a fully developed community like Roseville where WAC fees are not
94 being charged because there is not development enough to support that, is the reason why two
95 different options were looked at. Option one does not include capital costs and they would
96 become part of the usage charges and where that revenue would come in and add a little more
97 volatility because it would not be covered in the fixed costs, which is why Option two was also
98 looked at. Option two would add that stability to cover capital costs or \$900,000 a year because
99 the City does not have WAC fees coming in and are not charged. Either option is right. Option
100 one is based on industry standards per the American Water Works Association but Option two
101 tailors it a little bit more towards Roseville because the City is fully developed, so that can
102 include capital costs into those fixed charges.

103
104 Chair Murray thought it seemed that if water conservation really worked Option one would find
105 the City short in the capital contribution account.

106
107 Ms. Vogt indicated that was possible but the flip side of that though is that while conservation
108 tends to be more effective quicker when the billing is monthly rather than quarterly. With
109 quarterly billing it tends to take residents longer to remember that the water bill is going to go up
110 in the summer.

111
112 Chair Murray asked if the City could do direct debit for water billing.

113
114 Ms. Pietrick indicated that can be done.

115
116 Ms. Cynthia White appreciated the presentation, and a great job was done. She explained she
117 has lived in California and has a deep appreciation for costing water to charge more to high
118 usage users and she was in the habit of going out daily to read her water meter in order to
119 understand whether that was a day she could use her dishwasher or do laundry. What she did not
120 see in the impact analysis of them having the bonding dollars attributed to the residents. Some of
121 the residents will save money on water bills, there will still be money that needs to be paid for
122 the Bond and she did not see that factored in.

123
124 Ms. Vogt explained it is factored in as part of the total amount of revenue that the City needs to
125 generate each year to pay for debt service, however it is not in the fixed costs, it is in the variable
126 costs.

127
128 Ms. Cynthia White asked where that is cost so the residents can see how that impacts them even
129 though the water bill will go down, there will be some other costs.

130
131 Ms. Vogt indicated there will not be any other costs for the residents.

132

133 Vice Chair Davies indicated a resident sent correspondence regarding getting a contract directly
134 with St. Paul. She asked what this was about and is it an option to have St. Paul do all of the
135 billing and everything.

136
137 Ms. Pietrick explained that question has been raised several times by the same residents and
138 Public Works Director Marc Culver did sent a response to that request. It is a little more
139 involved than one would think. She indicated Maplewood sold their water system to St. Paul
140 Regional Water several years ago and as such St. Paul Regional Water does the maintenance,
141 billing, and distribution. With regard to the other cities the resident referenced as several cities
142 in his correspondence, the only other cities that are a part of St. Paul Regional Water are Falcon
143 Heights, Lauderdale, Mendota Heights, St. Paul, and West St. Paul. All of those cities are
144 smaller than Roseville or Maplewood. In addition, the utilities staff in Roseville that works on
145 the water fund and the sewer fund, during winter events, those staff are utilized to plow the City
146 streets and one of the costs that would go up significantly if the City joined St. Paul Regional
147 Water would be the property taxes because residents would have to pay for more street
148 maintenance staff to plow streets or the streets would not get plowed as quickly as they are
149 currently. In addition, the commercial rates are significantly higher with St. Paul Regional
150 Water then they would be with either of the options that Ehlers has presented. Staff did some
151 analysis and depending on how much water a household would use the resident could actually
152 pay more if the household used more water. It has been over twenty years since it was last
153 looked at and if the Council feels strongly about it, Public Works and Finance can provide more
154 analysis.

155
156 Commissioner Lee thanked Ms. Vogt and Ehlers for putting this together for the City and he
157 really liked how equity and fairness in looking at the rates as well as including some
158 conservation in as well. He indicated he was really looking at the jumps to industry or
159 commercial consumption but in terms of equity that really made sense and if the Council wanted
160 to address those increases to the commercial sector that could be something that is done
161 separately. He noted as a homeowner he loves Option one.

162
163 Commissioner Sagisser thought Option one seemed more appealing because it was more
164 attributed toward use but he would say it is probably important to check with those high users
165 and understand them enough to make sure that the sudden jump in cost is not going to cause it to
166 be no longer viable to be in Roseville.

167
168 Vice Chair Davies wondered if the Commission should make a recommendation to the City
169 Council. She thought it was optional but had the opportunity to do that if the Commission
170 wanted.

171
172 Vice Chair Davies indicated she was leaning towards Option one because she is a conservationist
173 and would like to see more incentive for conservation.

174
175 Commissioner Sagisser moved, seconded by Commissioner Lee to recommend Option one with
176 the caveat of looking into the businesses that are going to be hit the most.

177

178 Commissioner Bester agreed he preferred Option one as well with the understanding there is a
179 reasonable understanding not to have surprise needs for capital spending that will undue that
180 formula.

181
182 Chair Murray indicated real estate assessments get appealed all of the time and he asked if
183 anyone has ever challenged the water rates.

184
185 Ms. Pietrick indicated she was not aware of anyone challenging the rates.

186
187 Ms. Vogt explained there is not a process to contest water rates. Residents can complain and
188 come to a Council meeting and voice their opinion but ultimately the decision is with the
189 Council.

190
191 **The motion carried unanimously.**

192
193

194 **Campus Master Plan Options Presented to City Council**

195
196 Finance Director Pietrick reviewed the Campus Master Plan options to the Finance Commission.

197
198 Commissioner Bester assumed there will need to be bond based financing due to the costs.

199
200 Ms. Pietrick explained that could potential be the answer, but she believed this will be more of a
201 phased in approach versus an all-in approach and one of things being looked at.

202
203 Commissioner Bester thought a pretty significant share of the project budget goes towards the
204 maintenance facility and parking facilities and he wondered if that was normal to something that
205 is placed at the head campus of city centers. He wondered if maintenance facilities would be
206 better placed in a more industrial place and would there be possible cost savings or are there
207 operational efficiencies to having the maintenance facilities close by.

208
209 Ms. Pietrick believed one of the early options was to look at an offsite location, but she was not
210 sure that one could be found. She explained from a staff efficiency standpoint that is one of the
211 reasons why this is near the campus. The current facility is cramped and small and does not fit
212 all of the equipment, so the City has rental spots to store some of the equipment. Her
213 understanding was that was the start of looking at the whole campus plan.

214
215 Commissioner Sagisser asked what the timeline was for this plan.

216
217 Ms. Pietrick indicated there is no timeline yet because there are six different options right now.

218
219 Chair Murray asked in regard to relocating the VFW would the City foot the cost for rebuilding
220 that.

221

222 Ms. Pietrick explained it depends, most likely if the City has to take the VFW property then the
223 City would pay for the costs and it also may be a cost share situation.

224

225 Chair Murray explained he brought it up because the VFW is a civic organization which does
226 some charitable things and wiping them out is a little touchy.

227

228 Ms. Pietrick agreed and indicated that is why the VFW is included in this. She noted she will
229 keep the Commission updated on this item.

230

231

232 **Adopt 2021 Meeting Calendar**

233

234 Finance Director Pietrick reviewed the 2021 meeting calendar with the Commission.

235

236 Ms. Cynthia White asked if the Commission could add to the January agenda the recycling
237 negotiations.

238

239 The Commission requested the recycling negotiations with Eureka be discussed in either January
240 or February 2021.

241

242 Commissioner Murray moved, seconded by Commissioner Sagisser to establish the 2021
243 monthly Meeting Calendar for the second Tuesday of each month with the exception of August
244 which shall be held on Tuesday, August 17th. **The motion carried unanimously.**

245

246

247 **2021 Work Plan**

248

249 Finance Director Pietrick reviewed the 2021 Commission Work Plan. She wondered if the
250 Commission wanted to cancel the December meeting because there is not really anything on the
251 agenda.

252

253 The Commission thought the December meeting could be skipped unless something comes up
254 that needs the Commission attention.

255

256 Commissioner Sagisser moved, seconded by Commission Murray to cancel the December 2020
257 Finance Commission meeting. **The motion carried unanimously.**

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259

260 **Staff Update**

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262 Commissioner Sagisser asked when the new Councilmember will be in office.

263

264 Ms. Pietrick indicated it will be the first Council meeting in January.

265

266

267 **Adjourn**

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269 Commissioner Bester made a motion, seconded by Commissioner Lee to adjourn. The **motion**
270 **passed unanimously.**

271

272 Meeting adjourned at 7:43 p.m.

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 12, 2021
Re: Item #4: Review Finance Commission Recommendations: Tracking Report

Background

A summary of the Finance Commission's recent recommendations submitted to the City Council is included in *Attachment A* for review. There have been no changes to this report per Commissioner Sagisser.

Staff Recommendation

Not applicable.

Requested Commission Action

For review and discussion purposes only. No formal Commission action is necessary.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Tracking Report

**Roseville Finance Commission
Recommendation Tracking Tool**

No.	Recommendation	Date Recommended	Date Presented	Status	Discussion and Next Steps
2018-5	Cash Reserve Fund - Split CIP	10/9/2018	3/18/2019	Accepted	Staff to investigate creation of separate CIP funds before books are closed for 2018. Will present to Council early next year.
2019-1	Capital Investment Policy	3/12/2019	3/25/2019 5/6/2019	Accepted	Presented latest recommendation to Council. Council seemed to all support the proposal and suggested a few changes to wording. Also suggested creating templates for the fiscal note and look back.
2019-2	Park & Recreation Operating Fund Cash Reserve Level	5/14/2019	9/16/2019	Received	Council awaiting discussion from Parks and Rec Commission before making a final decision.
2019-3	Use of Cash Reserve Fund	5/14/2019	9/16/2019	Received - Further Development	Council would like Commission to write language for how the "sweep" mechanism is done into the policy. See Recommendation 2020-2
2019-4	Alternative Investment Options	6/11/2019	9/16/2019	Received - Further Development	Council proposes the Commission develop a potential policy to bring back to the Council, including what funds and how this issue should be managed. See Recommendation 2020-1
2019-5	Use of Cash Reserve Fund for EAB	9/10/2019	9/16/2019	Received	Council awaiting discussion from Parks and Rec Commission before making a final decision.
2020-1	Investment Policy Language	1/14/2020		Accepted in Part, Rejected in Part	Finance Commission will work to understand why the equities section was not accepted.
2020-2	Cash Reserve Policy Language	1/14/2020		Pending	

2020-09	Budget and Levy Recommendation	9/8/2020	9/14/2020	Accepted	Council will explore police staffing further with constolation from other city units, and will decide what staffing level and what type of staffing is needed.
2020-11	Water Funding Model Recomendation	11/10/2020	?	?	?

Roseville Finance Commission Recommendation Tracking Tool

No.	Recommendation	Description
2018-5	Cash Reserve Fund - Split CIP	Sub-recommendation to Recommendation 2018-2. Recommend separating all CIP spending out of operating funds and into separate CIP funds.
2019-1	Capital Investment Policy	Recommended modifying the Capital Investment Policy to include procedures regarding large capital investments (>\$500k) that creates standard supporting documentation and a feature to review previous purchases.
2019-2	Park & Recreation Operating Fund Cash Reserve Level	Approved revised Cash Reserve target range of 15-25% (from a fixed 25%) by Commission on 5/14/2019. Council Recommendation Pending
2019-3	Use of Cash Reserve Fund	No changes recommended pending further direction (if applicable). Continue to use Existing Cash Reserve Policy language.
2019-4	Alternative Investment Options	Approved recommendation for the Council to consider alternative investment options approved by the 2017 Legislature. Council Recommendation Pending
2019-3	Use of Cash Reserve Fund	No changes recommended pending further direction (if applicable). Continue to use Existing Cash Reserve Policy language.
2019-4	Alternative Investment Options	Approved recommendation for the Council to consider alternative investment options approved by the 2017 Legislature. Council Recommendation Pending
2019-5	Use of Cash Reserve Fund for EAB	Recommend not to use Cash Reserve Fund for Emerald Ash Borer program.
2020-1	Investment Policy	Recommended changes to the City Investment Policy to allow for investment into low fee mutual/index funds.
2020-2	Cash Reserve Policy	Recommended changes to the City Cash Reserve Policy to reflect previous recommendations regarding the use of the Cash Reserve Fund.
2020-09	Budget and Levy Recommendation	The Finance Commission recommends that the initial (preliminary) Levy be increased to fund the additional patrol officers pending further justification from the police chief with regard to the need and also more information as to why the City Manager cut the positions.

Roseville Finance Commission Recommendation Tracking Tool

Status	Definition
Pending	Recommendation has not yet been presented to the City Council
Received	Recommendation has been received by the City Council but has not received a formal reply or action
Accepted	Recommendation has been accepted by the City Council but action has not yet been taken
Rejected	Recommendation has been rejected by the City Council and will not move further
Implemented	Recommendation has been accepted by the City Council and action has been implemented
Rescinded	Recommendation has been rescinded by the Finance Commission
Received - Closed	Recommendation has been received by the City Council but has not received a formal reply or action and will be considered closed from future updates tracking.
Received - Further Development	Recommendation has been received by the City Council and returned to the Commission for modifications or further development.

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 12, 2021
Re: Item #5: Review Post Issuance Debt Compliance Policy

Background

The Government Finance Officers Association (GFOA) recommends that issuers of bonds or other debt obligations should develop and adopt formal, written post-issuance compliance policies and procedures to assist in meeting compliance requirements and in preventing, identifying and correcting possible violations that might occur during the term that bonds are outstanding. Issuers should revisit these policies and procedures at least every three years or as directed by the municipal advisor when there are significant legal or regulatory changes.

We issued general obligation bonds in December 2020 to refinance the 2011 outstanding bond issue and to finance water improvements in the next three years. As part of the process for issuing bonds, our municipal advisor Ehlers, requested copies of our policies. The City of Roseville had not previously adopted a Post Issuance Debt Compliance Policy. Attachment A is the draft Post Issuance Debt Compliance Policy which is consistent with the policy used by other cities. Ehlers has reviewed it to insure we have adequately included all the appropriate regulatory requirements. Attachment B is the draft Post Issuance Debt Compliance Procedures. These procedures are consistent with those used by other cities.

This is brought to the Finance Commission for their review and discussion. It will go to the City Council on January 25, 2021.

Staff Recommendation

Accept the Post Issuance Debt Compliance Policy and procedures.

Requested Commission Action

The Commission is asked to approve the attached Post Issuance Debt Compliance Policy and Procedures which will then be forwarded to the City Council for formal adoption.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Post Issuance Debt Compliance Policy
B: Post Issuance Debt Compliance Procedures

The City of Roseville, Minnesota Post-Issuance Debt Compliance Policy

The City Council (the “Council”) of the City of Roseville, Minnesota (the “City”) has chosen, by policy, to take steps to help ensure that all obligations will be in compliance with all applicable federal regulations. This policy may be amended, as necessary, in the future.

IRS Background

The Internal Revenue Service (IRS) is responsible for enforcing compliance with the Internal Revenue Code (the “Code”) and regulations promulgated thereunder (“Treasury Regulations”) governing certain obligations (for example: tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various “Tax Credit” Bonds). The IRS encourages issuers and beneficiaries of these obligations to adopt and implement a post-issuance debt compliance policy and procedures to safeguard against post-issuance violations.

SEC Background

The Securities and Exchange Commission (SEC) is responsible for enforcing compliance with the SEC Rule 15c2-12 (the “Rule”). Governments or governmental entities issuing obligations generally have a requirement to meet specific continuing disclosure standards set forth in continuing disclosure agreements (“CDA”). Unless the issuer, obligated person, or a specific obligation is exempt from compliance with CDAs, these agreements are entered into at the time of obligation issuance to enable underwriter(s) to comply with the Rule. The Rule sets forth certain obligations of (i) underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities, (ii) underwriters to obtain CDAs from issuers and other obligated persons to provide material event disclosure and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities transactions in the secondary market. The SEC encourages issuers and beneficiaries adopt and implement a post-issuance debt compliance policy and procedures to safeguard against Rule violations.

When obligations are issued, the CDA commits the issuer or obligated person to provide certain annual financial information and material event notices to the public. Issuers and other obligated persons may also choose to provide periodic, voluntary financial information and filings to investors in addition to fulfilling the specific responsibilities delineated in their CDA. It is important to note that issuers and other obligated persons should not give any one investor certain information that is not readily available to all market participants by disseminating information to the marketplace, at large. Issuers and other obligated persons should be aware that any disclosure activities determined to be “communicating to the market” can be subject to regulatory scrutiny.

Post-Issuance Debt Compliance Policy Objective

The City desires to monitor these obligations to ensure compliance with the IRS Code, Treasury Regulations and the SEC Rule. To help ensure compliance, the City has developed the following policy (the “Post-Issuance Debt Compliance Policy”). The Post-Issuance Debt Compliance Policy shall apply to the obligations mentioned above,

including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance.

Post-Issuance Debt Compliance Policy

The Finance Director of the City is designated as the City’s agent who is responsible for post-issuance compliance of these obligations.

The Finance Director shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in corresponding procedures (the “Post-Issuance Debt Compliance Procedures”). At a minimum, the Post-Issuance Debt Compliance Procedures for each qualifying obligation will address the following:

1. General Post-Issuance Compliance
2. General Recordkeeping
3. Arbitrage Yield Restriction and Rebate Recordkeeping
4. Expenditure and Asset Documentation to be Assembled and Retained
5. Miscellaneous Documentation to be Assembled and Retained
6. Additional Undertakings and Activities that Support Sections 1 through 5 above
7. Continuing Disclosure Obligations
8. Compliance with Future Requirements

The Finance Director shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Finance Director will ensure that the Post-Issuance Debt Compliance Policy and Procedures are updated on a regular and as needed basis.

The Finance Director or any other individuals responsible for assisting the Finance Director in maintaining records needed to ensure post-issuance debt compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

Most of the provisions of this Post-Issuance Debt Compliance Policy are not applicable to taxable governmental obligations unless there is a reasonable possibility that the City may refund their taxable governmental obligation, in whole or in part, with the proceeds of a tax-exempt governmental obligation. If this refunding possibility exists, then the Finance Director shall treat the taxable governmental obligation as if such issue were an issue of tax-exempt governmental obligations and comply with the requirements of this Post-Issuance Debt Compliance Policy.

Private Activity Bonds

The City may issue tax-exempt obligations that are “private activity” bonds because either (1) the bonds finance a facility that is owned by the City but used by one or more qualified 501(c)(3) organizations, or (2) the bonds are so-called “conduit bonds”, where the proceeds are loaned to a qualified 501(c)(3) organization or another private entity that finances activities eligible for tax-exempt financing under federal law (such as certain manufacturing projects and certain affordable housing projects). Prior to the issuance of either of these types of bonds, the Finance Director shall take steps necessary to ensure

that such obligations will remain in compliance with the requirements of this Post-Issuance Debt Compliance Policy.

In a case where compliance activities are reasonably within the control of a private party (i.e., a 501(c)(3) organization or conduit borrower), the Finance Director may determine that all or some portion of compliance responsibilities described in this Post-Issuance Debt Compliance Policy shall be assigned to the relevant party. In the case of conduit bonds, the conduit borrower will be assigned all compliance responsibilities other than those required to be undertaken by the City under federal law. In a case where the Finance Director is concerned about the compliance ability of a private party, the Finance Director may require that a trustee or other independent third party be retained to assist with record keeping for the obligation and/or that the trustee or such third party be responsible for all or some portion of the compliance responsibilities.

The Finance Director is additionally authorized to seek the advice, as necessary, of bond counsel and/or its financial advisor to ensure the City is in compliance with this Post-Issuance Debt Compliance Policy.

Adopted this date _____ by the City of Roseville, Minnesota

**The City of Roseville, Minnesota
Post-Issuance Debt Compliance Procedures**

The City Council (the "Council") of The City of Roseville, Minnesota (the "City") has adopted the attached Post-Issuance Debt Compliance Policy dated [REDACTED]. The Post-Issuance Debt Compliance Policy applies to qualifying debt obligations issued by the City. As directed by the adoption of the Post-Issuance Debt Compliance Policy, the Finance Director of the City will perform the following Post-Issuance Debt Compliance Procedures for all of the City's outstanding debt.

1) General Post-Issuance Compliance

- a) Ensure written procedures and/or guidelines have been put in place for individuals to follow when more than one person is responsible for ensuring compliance with Post-Issuance Debt Compliance Procedures.
- b) Ensure training and/or educational resources for post-issuance compliance have been approved and obtained.
- c) The Finance Director understands that there are options for voluntarily correcting failures to comply with post-issuance compliance requirements (e.g. as remedial actions under Section 1.141-12 of the Treasury Regulations and the ability to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31 (the "VCAP Program")).

2) General Recordkeeping

- a) Retain records and documents for the obligation and all obligations issued to refund the obligation for a period of at least seven years following the final payment of the obligation. If an obligation is refunded, then the final payment of the refunding obligation becomes the beginning of the period unless otherwise directed by the City's bond counsel.
- b) Retain electronic (preferred) and/or paper versions of records and documents for the obligation.
- c) General records and documentation to be assembled and retained:
 - i) Description of the purpose of the obligation (i.e. the project or projects) and the state statute authorizing the project.
 - ii) Record of tax-exempt status or revocation of tax-exempt status, if applicable.
 - iii) Any correspondence between the City and the IRS.
 - iv) Audited financial statements.
 - v) All accounting audits of property financed by the obligation.
 - vi) Obligation transcripts, official statements, and other offering documents of the obligation.
 - vii) Minutes and resolutions authorizing the issuance of the obligation.
 - viii) Certifications of the issue price of the obligation.

- ix) Any formal elections for the obligation (i.e. an election to employ an accounting methodology other than the specific tracing method).
 - x) Appraisals, demand surveys, or feasibility studies for property financed by the obligation.
 - xi) All information reports filed for the obligations.
 - xii) All management contracts and other service agreements, research contracts, and naming rights contracts.
 - xiii) Documents related to governmental grants associated with construction, renovation or purchase of property financed by the obligation.
 - xiv) Reports of any prior IRS examinations of the City or the City's obligation.
 - xv) All correspondence related to the above (faxes, emails, or letters).
- 3) Arbitrage Yield Restriction and Rebate Recordkeeping
- a) Investment and arbitrage documentation to be assembled and retained:
 - i) An accounting of all deposits, expenditures, interest income and asset balances associated with each fund established in connection with the obligation. This includes an accounting of all monies deposited to the debt service fund to make debt service payments on the obligation, regardless of the source derived. Accounting for expenditures and assets is described in further detail in Section 4.
 - ii) Statements prepared by Trustee and/or Investment Provider.
 - iii) Documentation of at least quarterly allocations of investments and investment earnings to each obligation.
 - iv) Documentation for investments made with obligation proceeds such as:
 - (1) investment contracts (i.e. guaranteed investment contracts),
 - (2) credit enhancement transactions (i.e. obligation insurance contracts),
 - (3) financial derivatives (e.g. swaps, caps, and collars), and
 - (4) bidding of financial products:
 - (a) Investments acquired with obligation proceeds are purchased at fair market value (e.g. three bid safe harbor rule for open market securities needed in advance refunding escrows).
 - b) Computations of the arbitrage yield.
 - c) Computations of yield restriction and rebate amounts including but not limited to:
 - i) Compliance in meeting the "Temporary Period from Yield Restriction Exception" and limiting the investment of funds after the temporary period expires.
 - ii) Compliance in meeting the "Rebate Exception."
 - (1) qualifying for the "Small Issuer Exception,"
 - (2) qualifying for a "Spending Exception,"
 - (a) 6-Month Spending Exception
 - (b) 18-Month Spending Exception
 - (c) 24-Month Spending Exception
 - (3) qualifying for the "Bona Fide Debt Service Fund Exception," and

- (4) quantifying arbitrage on all funds established in connection with the obligation in lieu of satisfying arbitrage exceptions including reserve funds and debt service funds.
 - d) Computations of yield restriction and rebate payments.
 - e) Timely Tax Form 8038-T filing, if applicable.
 - i) Remit any arbitrage liability associated with the obligation to the IRS at each five-year anniversary date of the obligation, and the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 60 days of said date.
 - f) Timely Tax Form 8038-R filing, if applicable.
 - i) Remit the form after the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 2 years of said date.
 - g) Procedures or guidelines for monitoring instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of obligation proceeds in lower yielding investments (e.g. reinvestment in zero coupon SLGS).
- 4) Expenditure and Asset Documentation to be Assembled and Retained
- a) Documentation of allocations of obligation proceeds to expenditures (e.g. allocation of proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of exempt purposes).
 - i) Such allocation will be done not later than the earlier of:
 - (1) eighteen (18) months after the later of the date the expenditure is paid, or the date the project, if any, that is financed by the obligation is placed in service; or
 - (2) the date sixty (60) days after the earlier of the fifth anniversary of the issue date of the obligation, or the date sixty (60) days after the retirement of the obligation.
 - b) Documentation of allocations of obligation proceeds to issuance costs.
 - c) Copies of requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks related to obligation proceed expenditures during the construction period.
 - d) Copies of all contracts entered into for the construction, renovation or purchase of facilities financed with obligation proceeds.
 - e) Records of expenditure reimbursements incurred prior to issuing obligations for projects financed with obligation proceeds (declaration of official intent/reimbursement resolutions including all modifications).
 - f) List of all facilities and equipment financed with obligation proceeds.
 - g) Depreciation schedules for depreciable property financed with obligation proceeds.

- h) Documentation that tracks the purchase and sale of assets financed with obligation proceeds.
 - i) Documentation of timely payment of principal and interest payments on the obligation.
 - j) Tracking of all issue proceeds and the transfer of proceeds into the debt service fund as appropriate.
 - k) Documentation that excess earnings from a Reserve Fund are transferred to the Debt Service Fund on an annual basis. Excess earnings are balances in a Reserve Fund that exceed the Reserve Fund requirement.
- 5) Miscellaneous Documentation to be Assembled and Retained
- a) Ensure that the project, while the obligation is outstanding, will avoid IRS private activity concerns.
 - b) The Finance Director shall monitor the use of all obligation-financed facilities in order to:
 - i) Determine whether private business uses of obligation-financed facilities have exceeded the *de minimus* limits set forth in Section 141(b) of the Code as a result of:
 - (1) sale of the facilities;
 - (2) sale of City capacity rights;
 - (3) leases and subleases of facilities including easements or use arrangements for areas outside the four walls (e.g. hosting of cell phone towers);
 - (4) leasehold improvement contracts, licenses, management contracts in which the City authorizes a third party to operate a facility (e.g. cafeteria);
 - (5) research contracts;
 - (6) preference arrangements in which the City permits a third-party preference (e.g. parking in a public parking lot, joint ventures, limited liability companies or partnership arrangements);
 - (7) output contracts or other contracts for use of utility facilities including contracts with large utility users;
 - (8) development agreements which provide for guaranteed payments or property values from a developer;
 - (9) grants or loans made to private entities including special assessment agreements;
 - (10) naming rights agreements; and
 - (11) any other arrangements that provide special legal entitlements to nongovernmental persons.
 - ii) Determine whether private security or payments that exceed the *de minimus* limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such obligation-financed facilities.

- c) The Finance Director shall provide training and educational resources to any City staff that have the primary responsibility for the operation, maintenance, or inspection of obligation-financed facilities with regard to the limitations on the private business use of obligation-financed facilities and as to the limitations on the private security or payments with respect to obligation-financed facilities.
 - d) The City shall undertake the following with respect to the obligations:
 - i) An annual review of the books and records maintained by the City with respect to such obligations.
 - ii) An annual physical inspection of the facilities financed with the proceeds of such obligations, conducted by the Finance Director with the assistance of any City staff who have the primary responsibility for the operation, maintenance, or inspection of such obligation-financed facilities.
 - e) Changes in the project that impact the terms or commitments of the obligation are properly documented and necessary certificates or opinions are on file.
- 6) Additional Undertakings and Activities that Support Sections 1 through 5 above:
- a) The Finance Director will notify the City's bond counsel, financial advisor and arbitrage provider of any survey or inquiry by the IRS immediately upon receipt. Usually responses to IRS inquiries are due within 21 days of receipt. Such IRS responses require the review of the above-mentioned data and must be in writing. As much time as possible is helpful in preparing the response.
 - b) The Finance Director will consult with the City's bond counsel, financial advisor and arbitrage provider before engaging in post-issuance credit enhancement transactions (e.g. obligation insurance, letter of credit, or hedging transaction).
 - c) The Finance Director will monitor all "qualified tax-exempt debt obligations" (often referred to as "bank qualified" obligations) within the first calendar year to determine if the limit is exceeded, and if exceeded, will address accordingly. For obligations issued during years 2009 and 2010 the limit was \$30,000,000. During this period, the limit also applied to pooled financings of the governing body and provides a separate \$30,000,000 for each 501 (c)(3) conduit borrower. In 2011 and thereafter it is \$10,000,000 unless changed by Congress.
 - d) Identify any post-issuance change to terms of obligations which could be treated as a current refunding of "old" obligations by "new" obligations, often referred to as a "reissuance."
 - e) The Finance Director will consult with the City's bond counsel prior to any sale, transfer, change in use or change in users of obligation-financed property which may require "remedial action" under applicable Treasury Regulations or resolution pursuant to the VCAP Program.

- i) A remedial action has the effect of curing a deliberate action taken by the City which results in satisfaction of the private business test or private loan test. Remedial actions under Section 1.141-12(d)(e) and (f) include the redemption of non-qualified obligations and/or the alternative uses of proceeds or the facility (i.e. to be used for another qualified purpose).
- f) The Finance Director will ensure that the appropriate tax form for federal subsidy payments is prepared and filed in a timely fashion for applicable obligations (e.g. Build America Bonds).

7) Continuing Disclosure Obligations

- a) Identify a position at the City to be responsible for compliance with continuing disclosure obligations as defined by the Rule and any policies of the City.
- b) The position responsible for compliance may have the ability to assign responsibilities, delegate where appropriate or engage a dissemination agent or third-party service providers to perform all or some of the duties described in this section. The City cannot delegate its compliance responsibilities.
- c) The City should specify how providers or delegated authorities will be monitored and supervised.
- d) The City should identify the documents that set forth the respective requirements being monitored at the time of closing for each obligation.
- e) The City should catalog all outstanding Continuing Disclosure Agreements and establish consolidated filing requirements based on the outstanding CDAs.
- f) The City should identify the frequency of the actions to be undertaken to ensure compliance, establish a system or filing alerts or reminders to administer the filing requirements.
- g) The Finance Director for compliance must be made aware of any new outstanding debt, changes to obligation or loan covenants, events of acceleration or default that would materially affect investors.
- h) The City should review a compliance checklist to verify compliance with CDA requirements, at least annually, although it may be advisable to provide more frequent reviews in connection to specific material events.
- i) The City should monitor mandatory material events specifically identified in accordance with the Rule and file required notices within 10 days of occurrence.
 - i) Principal and interest payment delinquencies.
 - ii) Non-payment related defaults, if material.
 - iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
 - iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - v) Substitution of credit or liquidity providers or their failure to perform.

- vi) Adverse tax opinion, IRS notices or material events affecting the tax status of the obligation.
 - vii) Modifications to rights of security holders, if material.
 - viii) Obligation calls, if material.
 - ix) Defeasances.
 - x) Release, substitution or sale of property securing repayment of the obligations, if material.
 - xi) Rating Changes.
 - xii) Bankruptcy, insolvency, receivership, or similar event of the obligated person(s).
 - xiii) Merger, consolidation, or acquisition of the obligated person, if material.
 - xiv) Appointment of a successor or additional trustee, or change of name of a trustee, if material.
 - xv) Incurrence of financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material.
 - xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties.
- j) In addition to the mandatory material events, the City should review and file any additional or voluntary event notices.
 - k) The City should maintain a catalog of all outstanding obligations whether publicly offered or privately placed, and the terms and conditions that govern default or acceleration provisions.
 - l) Any missed filing requirement should be remedied with a failure to file notice as soon as possible once the late filing is identified and the required information is available to file.
 - m) Sensitive information such as bank accounts and wire information should be redacted from documents prior to posting on EMMA.
 - n) The City needs to monitor for changes in law and regulations that effect continuing disclosure obligations and review disclosure policies and procedures periodically to ensure compliance and consistency with regulation and market expectations.
- 8) Compliance with Future Requirements
- a) Take measures to comply with any future requirements issued beyond the date of these Post-Issuance Debt Compliance Procedures which are essential to ensuring compliance with the applicable state and federal regulations.

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 12, 2021
Re: Item #6: Review Final CARES Funding Expenditure Report

Background

The City received an allocation of \$2,732,742 in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds through the State of Minnesota in July. The CARES Act allows these funds to only cover costs that: (1) Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES act) for the government; (3) Were incurred during the period that began on March 1, 2020 and ends on December 30, 2020. Under guidance from the State of Minnesota, cities had to expend the CARES dollars by November 15, 2020.

At the September 28, 2020 City Council Meeting, the City Council approved the expenditure plan for the use of these funds. The prioritization of the use of these funds was to (1) reimburse direct unbudgeted purchases and services related to the COVID-19 public health emergency, (2) Economic assistance to businesses and residents through the Roseville Small Business Relief Fund and Residential Relief Fund, (3) Budgeted personnel and services diverted to a substantially different use, including public safety and other employees whose functions were diverted to other duties due to COVID-19.

The final CARES expenditure report totaled \$2,732,742 in expenditures under the following categories:

Telework Expenses	\$109,299.32
Personal Protective Equipment	\$178,709.81
Public Health Expenses	\$188,903.45
Small Business Assistance	\$332,113.00
Housing Support Assistance	\$135,905.86
Public Safety Personnel	\$1,775,660.09
Other Personnel Costs	\$12,150.47

The Roseville EDA contracted with Open to Business and Community Action Partnership of Ramsey & Washington Counties to administer the small business and housing support grant programs. There were 31 business grants given out and 54 housing support grants given out during the short time frame of September – November 15.

Staff Recommendation

Not applicable.

Requested Commission Action

For information purposes only. No formal Commission action is necessary.

Prepared by: Michelle Pietrick, Finance Director

Roseville Finance Commission

2021 Meeting Topics & Calendar

Month	Discussion Topic (Tentative)
January 12	<ul style="list-style-type: none"> ▪ Post Issuance Debt Compliance Policy ▪ CARES Act Final Funding Status Report
February 9	<ul style="list-style-type: none"> ▪ Update on Solar project results – Public Works Director ▪ Update on Recycling – Public Works Director
March 9	<ul style="list-style-type: none"> ▪ Select Chair, Vice-Chair, and Ethics Commission Representative ▪ Review 2019 Investment Portfolio performance
April 13	<ul style="list-style-type: none"> ▪ Review 2020 preliminary year-end cash reserve levels
May 11	<ul style="list-style-type: none"> ▪ 2022-2041 Capital Improvement Plan review #1 of 2 ▪ Campus Facilities Tour
June 8	<ul style="list-style-type: none"> ▪ 2022-2041 Capital Improvement Plan review #2 of 2 ▪ Review 2020 Audit Reports ▪
July 13	<ul style="list-style-type: none"> ▪ Review 2022 Budgetary Impacts and City Council Priorities ▪
August 17	<ul style="list-style-type: none"> ▪ Discuss the 2022 City Manager Recommended Budget & Tax Levy ▪ Discuss Items for Joint City Council-Commission Meeting
September 14	<ul style="list-style-type: none"> ▪ Establish Recommendation on 2022 City Manager Recommended Budget & Tax Levy ▪ Establish Recommendation on 2022-2041 Capital Improvement Plan ▪ Finalize Discussion Items for the Joint City Council-Finance Commission Meeting
October 12	<ul style="list-style-type: none"> ▪ Update on the Council-adopted 2022 preliminary Budget & Tax Levy ▪ Review and adopt a recommendation on the 2022 proposed utility rates ▪
November 9	<ul style="list-style-type: none"> ▪ Adopt 2021 Meeting Calendar ▪ Adopt 2021 Work Plan ▪
December 14	<ul style="list-style-type: none"> ▪ ▪