

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: September 8, 2020
Re: Item #3: Approve the Minutes from the August 18, 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 August 18, 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 August 18, 2020 meeting.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Draft Minutes from the August 18, 2020 Finance Commission Meeting

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Roll Call/Announcements

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

Staff Present: Finance Director Michelle Pietrick

The agenda was approved as distributed.

Ms. Jennifer Wendell indicated this is the first Finance Commission meeting she has attended, and she noted she has lived in Roseville for five years with a daughter. She explained she works as a business consultant. She explained she is newly interested in the finances of the City as part of social justice volunteer work she does. She is coming to the meeting tonight because she is interested in the Finance Commission's discussion about the 2021 budget. She indicated she did review the City Manager's recommendation and attended the HRIEC meetings where it was discussed recommending hiring a Racial Equity Consultant. Her main point to make is that she speaks for herself and others in the community to say that there is support for a permanent Racial Equity position and to hire Racial Equity Consultants with a specific scope of work. She also supports the City Manager's recommendation to not hire three additional Police Officers. She is finally interested in the details of the budget for the parks which will not be asked at this meeting.

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Approval of Meeting Minutes

Chair Murray asked if there were any changes to the minutes.

Commissioner Sagisser stated line 139 should be changed to: “Commissioner Sagisser.”

Commissioner Reif moved, seconded by Commissioner Lee to approve the July 14, 2020 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Sagisser indicated to the best of his knowledge there has not been any changes in any of the recommendations since the last meeting.

Review Draft 2021-2040 Capital Improvement Plan

Finance Director Pietrick reviewed the Draft 2021-2040 Capital Improvement Plan with the Commission.

Chair Murray indicated on page four, 2021 summary of the tax supported Capital Funds, he wondered if the OVAL was included in 2021 in that the revenues and expenses are so high.

Ms. Pietrick explained the OVAL is in there and the expenses have been offset with State Bonding. Staff is hopeful that these get approved and if not, then the expenses will be moved to the next year.

Chair Murray thought it would not happen from what he has heard.

Ms. Pietrick noted that is what she is hearing as well.

Chair Murray indicated on page 7, the Water Capital fund, it seemed like there are a lot of expenses in 2024 and he wondered if that is something specific going on there.

Ms. Pietrick explained staff has been working with Ehlers and Associates on the Water Fund cash flow modeling and Ehlers will be assisting staff with rate setting. Staff modified the Capital Outlay request for 2021-2023 and into 2024, those were reduced. She noted she has been working with the Public Works Director because the Capital Improvements that are needed for the water system currently cannot be financed. In looking at the Water Fund a couple of things were found. There has been a rate formula problem in the conversion between St. Paul and Roseville. St. Paul sells Roseville water in cubic feet and Roseville sells it in thousand gallons. There is a problem with that formula that is being corrected. In addition, staff used a five-year average of the Capital Outlay needs which was looking backwards and was not incorporating the future needs. The City was under budgeting for the capital needs. The Water Fund has a cash

91 issue right now. As shown on the CIP sheets, the fund is two million in the hole. Staff is trying
92 to minimize the impact of any rate increases, but the City does need to get out of the hole and
93 staff is working with Public Works to identify things that absolutely have to be done and the
94 items that can be postponed, fully recognizing that the longer things are postponed, the costlier
95 they get.

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97 Chair Murray asked on the conversion from cubic feet to gallons, how big of a gap did that
98 create, how far off percentage wise.

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100 Ms. Pietrick indicated the former formula was taking the St. Paul rate and basically cutting it by
101 seventy-five percent instead of converting it. The conversion is about one and third over the St.
102 Paul rate. This created about a fifty percent spread.

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104 Commissioner Bester asked if the Water Fund issue was more of a liquidity then a profitability
105 issue.

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107 Ms. Pietrick indicated right now the revenues are sufficient to cover operations and operations
108 only. A Utility Fund, which is an Enterprise Fund, should also have sufficient cash on hand to
109 make Capital Improvements. Unfortunately, the City's capital ate away at the fund reserves that
110 would be used to phase in Capital Improvements. This is kind of two-fold and essentially the
111 rest of the City's funds are floating the cash deficit and that cannot be done long term because
112 the City has limited reserves.

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114 Commissioner Davies asked if there is a plan to raise the rates.

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116 Ms. Pietrick indicated there is and that is why Ehlers & Associates have been hired, to not only
117 give staff a cash flow model but will also assist the City in phasing in increases. She noted the
118 increases would be phased in over five years to make the increases palatable.

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120 Chair Murray noted the Commission did review the water rates approximately a year ago and
121 thought they came to the conclusion that there really is not a perfect answer.

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123 Ms. Cynthia White explained after the last meeting this was one of the topics that she asked for
124 an in-depth review of. She has been following the water crisis longer than she has been on the
125 Commission. Last year or maybe two years ago the City instituted a three-tier system and she
126 assumed that everybody has been reviewing that. In the past the City has compared its water
127 rates with other communities, and she would like to see that again as rate increases are looked at.
128 She would also like to know how this happened. Lots of people's eyes have been on the water
129 rates for a very long time and she did not understand how a simple thing like a conversion rate
130 could have been missed.

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132 Ms. Pietrick indicated since she has only been with the City for six months, she cannot tell Ms.
133 White who looked at this in the past nor is she going to throw anyone under the bus. She noted
134 errors do happen. She came in and she tends to look at fluctuations and cash positions and

135 having had to deal with this in her past life, the cash position in this fund concerned her. She did
136 take a historical look back to see why it was not caught prior to her being here.

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138 Ms. White indicated she was glad it has been found and glad Ms. Pietrick did the historical look
139 and she guessed she would talk to the Public Works Director to understand his viewpoint in this.

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141 Ms. Pietrick indicated Ms. White could do that. She noted she has been in discussions with the
142 Public Works Director and it does appear that the Finance Director was the one who set the rates
143 and did the conversion and that is why she hired Ehlers because they are the experts and she has
144 had experience working with them when it comes to setting utility rates in her past jobs. Part of
145 their work is looking at comparable cities and tiers along with looking at options to provide the
146 to the City to help the City get out of this situation and position the City to be able to run the
147 Water Utility and to replace water mains as needed.

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149 Ms. White appreciated that Ms. Pietrick had that contact. She was a little surprised the City had
150 to hire an outside group to do that analysis. The water rates are readily available in other
151 communities' websites and through personal contacts the City has so she wondered what the
152 value add that this outside group is providing to staff.

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154 Ms. Pietrick indicated the value add is that Ehlers has the capability and the time resources to
155 focus strictly on running different models for the City, they will be able to present to this
156 Commission and City Council some alternatives for how the City can best go forward with its
157 rate setting. In talking to her counterparts in other cities, 99.9 percent of them hire an external
158 company to do these analyses because they are not simple, they can be simple but then there is
159 the opportunity to make errors. The outside services can run different alternatives very easily
160 through the model.

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162 Chair Murray reviewed the background of the Water Fund.

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164 Commissioner Bester continued to feel that this is a matter of liquidity rather than profitability.
165 The annual incomes and expenses do not seem that far out of line. A rate increase might be
166 totally warranted but there was talk about bonding and assumed that was not in the 2021 budget
167 and if that is correct, he wondered if there was a potential timetable for bonding.

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169 Ms. Pietrick indicated that was correct, it is not in the budget. That is going to be part of this
170 fall's analysis. Staff is hopeful to have the Ehlers work done in time to present in October, at
171 which point it would go to the Council and this Council does not like to issue debt which she
172 appreciates but it may be the best strategy to assist them. Based on the Capital projects coming
173 in the next two years, the cash deficit will continue to go down, not up.

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175 Chair Murray indicated he had a question on page 8 on the license facility, he wondered how
176 much of the expenses are reflecting the shopping center going in.

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178 Ms. Pietrick indicated none of them are. This is strictly the License Center operations.

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Chair Murray asked where those expenses pop up.

Ms. Pietrick indicated staff set up a separate Capital project fund for the shopping center and the City does not budget for that fund. She indicated she could provide an analysis if the Commission would like to see it.

Chair Murray indicated he would like to see it.

Chair Murray asked if anything was done with the banking for the City.

Ms. Pietrick indicated she was able to get BMO, the current safe keeper to put in some protocols. Notifications were going to Chris Miller and even though BMO knew she was the new Finance Director the notifications were not going to her. She put BMO on notice so going forward the City should not have a collateral issue.

Discuss the City Manager Recommended 2021 Budget and Tax Levy

Finance Director Pietrick reviewed the 2021 Budget and Tax Levy with the Commission.

Commissioner Davies indicated she saw 1.7 million in Capital Expenditures for Municipal State Aid and she wondered what that involved.

Ms. Pietrick indicated Public Works does work on Municipal State Aid roads and the City gets the money from the State, but the City coordinates the road project. This is common among cities.

Chair Murray asked who wrote the attachments on page 11 and page 20.

Ms. Pietrick indicated that would be City Manager Trudgeon's memo.

Chair Murray noted on line 246 he was having trouble with the sentence regarding George Floyd being killed by form Police Officer Chauvin and he indicated there is a principal in this Country about being innocent until proven guilty and he thought the word "alleged" should be inserted there. He indicated that people have gotten off on convictions because of that type of public language.

Ms. Pietrick indicated she would pass that forward.

Commissioner Barclay asked how the killing of George Floyd influences the 2021 budget.

Ms. Pietrick indicated the City Manager is proposing to add an Equity and Inclusion Manager position in this budget, this would be a new position to deal with equity issues. After the unrest that has occurred and everything else that has occurred this is a necessary position to address

Equity, Discrimination, and all of the issues that all of the residents are facing, no matter their nationality.

Ms. Jennifer Wendell appreciated Commissioner Barclay's questions and also in response to Chair Murray's comment, George Floyd's death was ruled a homicide. In the City Manager's recommended budget, he talked about the four priorities of the budget. The first one being adjusting budget funding sources and investing in equity, public safety, and the City workforce. She noted an investment in equity is an investment in public safety. As looking at the budget and other recommendations to make, the change is to look at racial equity in that lens and is a part of public safety and community wellness.

Chair Murray asked if outsourcing this position been considered like bringing in a consultant.

Ms. Wendell explained in going to HRIEC meetings two things are going on. The City Manager is requesting hiring a staff person, a permanent Racial Equity staff person. The HRIEC has separately, and in addition, recommended to the City Council to hire a consultant. The idea behind that is to both do some advance work for a staff person that comes in and also to give a catalyst to the initial work of a staff person.

Ms. Pietrick indicated that was correct and the HR Staff is working on an RFP. She believed it is envisioned that a consultant would lay the groundwork and assist in developing the job description. While there is a position in the budget, it will not necessarily be in place on January 1, 2021.

Commissioner Sagisser asked what the ETA was for hiring someone.

Ms. Pietrick indicated right now there is no ETA, the consultant is the first priority and the hope is to get a consultant on board before the end of 2020, preferable this fall.

Chair Murray thought that in the long run a consultant could be cheaper, it has a couple of advantages as well. If a City brings in outside people, it brings in fresh ideas from time to time and if a full time consultant is brought in the City tends to build a brand new bureaucracy which is going to be more expensive and internally this person is supposed to be giving a critic of the organization. If there is someone in full time that person tends to be a part of the establishment rather than looking at things from an outside point of view. He thought maybe over the long run, maybe every three years the City should take a hard look at it from an outside viewpoint and might make more sense.

Commissioner Sagisser thought when a consultant is brought in as a sort of auditor the organization needs to make sure that they are set up with independence because he would suspect this person would come in and find problems.

Ms. White stated that model of hiring a consultant should provide some assistance with a job description and the ability to give that job as much independence as possible which she thought is a very valid concern. From a Finance Commission standpoint, she thought the value of an

Equity staff person who is part of the community and getting more equity within decision making positions in the City is a value and is not a cost.

Commissioner Davies indicated part of the Police Department proposal was to add a Commitment to Diversity Officer and there was a very complete job description for the individual that was just being discussed but there was no job description for the Commitment to Diversity officer. She found that a little troubling. She also felt there should be a look at how the public safety is organized and whether or not a lot of the things Police Officers do should be done by Police Officers. She thought there was an opportunity to save money for a lot of administrative stuff. She would like to see a look at the Police Department within that context.

Ms. White indicated an Advisory Commission is being put together to do that review along with other ideas for the Commission to do.

Commissioner Davies thought there should be some sort of job description for the Commitment to Diversity Officer.

Ms. Pietrick indicated that position was actually approved in 2019 but was not funded. What it is designed to do is to allow the Police Department to go over their authorized contingent of officers if there are CSO's who are ready to step into being full time officers who are diverse candidates. Last year the funding was pulled because two officers left at the same time that two CSO's were able to step in. This year the decision was made to actually put funding with the job. This is a patrol officer and no different then any other patrol officer but is a stepping stone for the CSO's to become patrol officers, if at the point that a CSO is ready and able to be a patrol officer the City would rather keep them on the City's force for diversity.

Chair Murray indicated it looked like the City is adding three new Lieutenant positions. He wondered if that made them a little too heavy.

Ms. Pietrick indicated that is in the Fire Department, not the Police Department. She indicated it would not make them top heavy, the argument is there are Fire Fighters then Battalion Chiefs and there is no level between those positions and for a better transition from Fire Fighter to Battalion Chief, the Fire Chief would like three Lieutenants. It is not an addition to the department, three of the current Fire Fighters would be Lieutenants.

Commissioner Lee asked if the City is tracking the golf course incomes and expenses separately. He thought last year there was talk about rolling that into a general fund, such as the Park fund depending on what the revenue was.

Ms. Pietrick indicated she was not aware of that. What she did know is that the capital that was previously in the golf course is now in Parks and Rec or facilities and no one has told her to roll the golf course anywhere. The golf course and community building are in one fund.

Ms. White indicated this was another topic she wanted further detailed review of revenue and expenses.

Chair Murray indicated on Attachment E, the Budget Detail Function and Fees Supported, there is Other Services and Charges of \$12,300 and he wondered what that item was.

Ms. Pietrick explained that is the Safety & Loss Control for fire training.

Chair Murray asked if it would be possible to get the packet sooner than the Friday before the meeting.

Ms. Pietrick indicated the timing of the meetings got stacked up and caused delays. The budget and CIP topics will be on the next Finance Commission meeting as well. This was the first introduction to these items.

Discuss Joint Meeting Topics

Chair Murray indicated he was not sure the Finance Commission had enough items in order to have a joint meeting with the City Council.

Commissioner Sagisser thought the Commission wanted to talk to the City Council about the investment question.

Chair Murray explained he was going to put that off until the Commission could meet with the Council in person rather than on a Zoom meeting.

Commissioner Sagisser thought that made sense but may not be until 2021. He wondered if the meeting could be postponed.

Ms. Pietrick indicated this could be postponed, what the Council is looking for at the September meeting is a recommendation on the budget and CIP from the Commission.

Staff Update Including Solar Project Review

Finance Director Pietrick updated the Commission on the Solar Project review and answered questions about the financing of the solar panels. This item will come back to the Finance Commission for review in February 2021.

Identify Discussion Items for the Future Meeting (September 8, 2020)

Chair Murray stated the next agenda would include discussions on the 2021 Budget and Tax Levy continuation.

Commissioner Sagisser wondered if there was any budget consideration for people working from home at the City level because some businesses are finding it is savings costs and others are not.

Ms. Pietrick indicated the Public Works staff is currently working on the Master Campus plans and have just sent out some questions to see if working from home would have any impact on space needs.

Chair Murray indicated one thing he would like to look at next month is the shopping center the City owns along with looking further into the golf course.

Ms. White asked to have the Commission look at the recycling fees and costs as part of the budget discussion.

Commissioner Sagisser indicated he would like to see that as well.

Adjourn

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

Meeting adjourned at 7:38 p.m.