

  
**ROSEVILLE**  
**REQUEST FOR COUNCIL ACTION**

Date: September 19, 2022  
Item No.: 7.a

Department Approval



City Manager Approval



Item Description: Receive Finance Commission recommendations on the 2023 City Manager recommended budget, tax levy, and 2023-2042 CIP

**BACKGROUND**

The Finance Commission reviewed the 2023-2042 Capital Improvement Plan and the 2023 City Manager recommended budget & tax levy at their meetings over the past few months. The Commission's findings and recommendations are highlighted below.

**2023 City Manager Recommended Budget & Tax Levy**

After reviewing the 2023 City Manager Recommended Budget & Tax Levy at their August and September meetings, the Finance Commission unanimously made a recommendation that they felt citizens would be more comfortable with a 5-6% increase in the tax levy, rather than the City Manager recommended tax levy increase of 7%.

**2023-2042 Capital Improvement Plan and Funding Strategies**

The Finance Commission had a discussion on the 2023-2042 Capital Improvement Plan (CIP) at their June and July meetings. The Finance Commission took no formal action with regard to a recommendation on the 2023-2042 CIP, though they were supportive of staff recommendations. The Commission may review this at their October meeting and make a formal recommendation at that time.

Wanda Davies, Chair of the Finance Commission, and Dan Sagisser, Vice-Chair will be in attendance at the meeting to present the Commission's findings and recommendations on the 2023 Preliminary Budget and Tax Levy.

**POLICY OBJECTIVE**

See above.

**FINANCIAL IMPACTS**

Not applicable.

**STAFF RECOMMENDATION**

Receive the Finance Commission recommendations on the 2023 Budget, tax levy and 2023-2042 CIP.

**REQUESTED COUNCIL ACTION**

The Council is asked to receive the findings and recommendations on the 2023 Budget, tax levy and 2023-2042 CIP from the Finance Commission.

Prepared by: Michelle Pietrick, Finance Director

Attachments: Attachment A - Excerpts of Finance Commission Meetings from June 14, July 12, and August 24, 2022

1 **Finance Commission – Excerpt of June 14, 2022 Minutes**

2  
3 **Review Draft 2023-2042 Capital Improvement Plan & Tentative Funding Strategies**

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5 Finance Director Pietrick reviewed the 2023-2042 draft Capital Improvement Plan and Tentative  
6 Funding Strategies with the Commission.

7  
8 Ms. Pietrick indicated City Manager Trudgeon and herself reviewed this and are proposing the  
9 second-year increase of \$200,000 into the Police Vehicle and Equipment Fund. The City did a  
10 \$200,000 increase in 2022 with an additional \$200,000 in 2023 and then in 2024 the City would  
11 have the levy capacity to pay for the six firefighters. Staff is also recommending some minor  
12 increases in the levy support to the Administration Equipment Fund and the Finance Equipment  
13 Fund. Staff is proposing a decrease in the Central Services Equipment Fund and a decrease in the  
14 IT Equipment Fund for two years. She provided a few charts and reviewed some of the funds  
15 with the Commission.

16  
17 Commissioner Bester asked in the 2023 budget there is no anticipation for the campus redesign.

18  
19 Ms. Pietrick indicated that the campus redesign is not yet included in the Capital Improvement  
20 Plan. The city currently has a conceptual design and this plan will be refined over the next year  
21 or so. As the plan becomes firmed up, the cost of the project will become more concrete. At this  
22 time, she anticipates that it will be programmed into the CIP with potential funding sources  
23 identified. A project of this nature takes time and needs a lot of discussion on the different parts  
24 to the project.

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26 **Finance Commission – Excerpt of July 12, 2022 Minutes**

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28 **Draft 2023-2042 CIP**

29 Finance Director Michelle Pietrick reviewed the Draft 2023-2042 Capital Improvement Plan and  
30 Tentative Funding Strategies with the Commission.

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32 Chair Davies indicated she found it a little frustrating on the fee supported Capital Funds that it  
33 does not break out the revenues so she cannot see which funds have the real deficit. She noted  
34 the expenses are broken out.

35  
36 Ms. Pietrick reviewed the different funds with their balances over the years. She noted she will  
37 send out a revision for the Commission on the water fund.

38  
39 The Commission asked financial based questions of Ms. Pietrick regarding past and current  
40 budgets.

41  
42 Ms. Pietrick indicated this will go before the City Council in September. She asked the  
43 Commission to send her any questions or suggestions that can be reviewed at a future meeting.  
44  
45

**46 Finance Commission – Excerpt of August 24, 2022 Minutes**

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**48 Receive and Discuss the 2023 City Manager Recommended Budget and Tax Levy**

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50 City Manager Patrick Trudgeon reviewed the 2023 City Manager recommended budget and tax  
51 levy that was presented to the City Council.

52

53 Chair Davies indicated the union contract is not based on the CPI and wondered where the three  
54 percent increase was coming from.

55

56 Mr. Trudgeon explained he wanted to be careful that they did not automatically go with the CPI  
57 because it is just a reference point the Council likes to use. Usually, the union contract looks at  
58 comparable cities and often times there is one main union covering all of the municipalities. He  
59 noted there is a greater understanding of what others are paying and what they ask for and that is  
60 part of negotiation at that point. He explained that all of the City's unions are under contract  
61 through 2023 with a couple going through 2024 and every few years, union contracts are  
62 negotiated. He continued with his presentation of the 2023 City Manager recommended budget  
63 and tax levy.

64

65 Chair Davies indicated she had a question about the Digital Media Specialist going from three  
66 quarters to full time with some of the \$42,000 total from the fund and some from the tax levy.  
67 She asked if that person was making roughly \$130,000 right now and will increase it by a third  
68 to make it \$142,000.

69

70 Mr. Trudgeon explained that was not correct. Right now, that position is funded in the 2022  
71 budget for thirty hours a week at \$25 an hour and with a limited term employee when it was  
72 added. Now, the City is looking at this as a permanent position, in a sense that it will be a full-  
73 time employee with benefits. Levy dollars were already put in last year, \$50,000 to pay for this  
74 so if salary and benefits are factored in, it will get closer to \$92,000. He stated the salary will be  
75 somewhere in the upper \$60,000 to \$70,000. Mr. Trudgeon continued with his presentation on  
76 investment in maintaining City programs and workforce.

77

78 Commissioner Murray asked what kind of background does a Sustainability Expert have to have.

79

80 Mr. Trudgeon explained someone who has an environmental studies degree, most likely or some  
81 background in engineering.

82

83 Commissioner Murray asked who would this person report to if they found something that was  
84 not done right.

85

86 Mr. Trudgeon explained the person would be reporting to the Public Works Department,  
87 Engineering Department specifically, and would help with the recycling and storm water projects  
88 as well as some other initiatives such as solar gardens for the community, and information  
89 sharing for people that are interested in environmental and sustainable things. He noted the City  
90 is looking at doing organic recycling down the road, all those types of initiatives. This person

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91 would do a wide variety of things and report to the Public Works Director, him, and eventually  
92 the City Council. He stated there would be a carefully thought-out work plan for this position,  
93 noting that a lot of this is already being done through the internship and grants the City has  
94 received over the years.

95

96 Mr. Trudgeon reviewed the strategic use of reserves and grant funding with the Commission and  
97 summarized the upcoming next steps.

98

99 Chair Davies indicated there were a number of pages with funds where the ending fund balance  
100 did not show up as the beginning fund balance for the next year.

101

102 Ms. Pietrick indicated she will take a look at that.

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104 Commissioner Murray asked if inflationary costs go up will the amount be taken out of the Cash  
105 Reserve fund.

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107 Mr. Trudgeon indicated the City would for fuel, specifically.

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109 Commissioner Murray asked if money would be taken out for other things as well.

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111 Mr. Trudgeon explained that typically that is what drives the levy increase.

112

113 Commissioner Murray explained this is not going to be a normal year and there will be a lot of  
114 inflationary costs and he wondered how the City is going to cover them.

115

116 Mr. Trudgeon explained staff is using a combination of levy increases as well as using grant  
117 dollars and the use of reserves where they can to help soften that blow for this year, knowing that  
118 grants run out.

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120 Chair Davies indicated the City cannot do a levy increase for this year.

121

122 Ms. Pietrick indicated that was correct.

123

124 Mr. Trudgeon explained for this year the levy is set. Staff will have to reconcile that budget at  
125 the end of the year and if over budget, a budget amendment can be made that uses reserves.

126

127 Commissioner Murray wondered how big the City's reserves were now.

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129 Mr. Trudgeon explained the General Fund sits at around \$8 to \$9 million dollars.

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131 Chair Davies noted that the General Fund is up \$2.5 million since 2019.

132

133 Ms. Pietrick explained that was intentional because prior to 2019, the City used reserves to cover  
134 operations and the General Fund itself was below the 35 percent minimum.

135

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136 Chair Davies asked if staff felt that 2022 was going to end up in a deficit relative to the budget.

137

138 Ms. Pietrick stated she hoped not. She explained there was a lot of turnover in various  
139 departments, more than she has encountered in her experience elsewhere. But, it takes time to  
140 fill those jobs so there are some savings on the personnel side. It is not occurring in every  
141 department but the City is seeing people leave for other opportunities elsewhere. Also, the  
142 supply chain is interesting. She noted the City ordered the 2021 City plow trucks that were  
143 delivered ten months after they were ordered and staff is actually in the process of getting  
144 Council approval to order the 2023 vehicles that are in the CIP plan, hoping they arrive in 2023.  
145 Staff builds a budget with the best estimates possible but the City does not pay for the product  
146 until it arrives and that can cause some fluctuations. The City also has budgeted for full  
147 employment.

148

149 Commissioner Bester indicated the golf course financial summary also has some problems.

150 Ms. Pietrick indicated she will look at all of the spreadsheets for inconsistencies and issues.

151

152 Chair Davies asked staff to review how it plans on getting the water and sewer funds out of the  
153 red.

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155 Ms. Pietrick indicated the sewer fund is not in the red yet. She reviewed the steps the City will  
156 be taking to help the water fund.

157

158 Commissioner Bester presented his budget observations and suggestions to staff and the other  
159 Commissioners. The observation is that our audited financial statements show a gain of 17.9%  
160 in 2021, which seems higher than necessary to stay healthy. Does this present an opportunity to  
161 carefully look at the levy for 2023?

162

163 Mr. Trudgeon asked if Commissioner Bester was taking all of the funds and calculating out what  
164 that net gain is because there are numerous funds that are restricted. He explained the  
165 Community Development Fund can only be used for building permit costs, as well as some of  
166 the other funds like the Utility fund. Grants may offset the use of levy dollars but need to be for  
167 a specific use so he asked if Commissioner Bester's comments factored out all of the restricted  
168 fund accounts.

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170 Commissioner Bester explained the restricted funds were not factored out.

171 Mr. Trudgeon explained those numbers cannot be used for levy reductions, which is his point.  
172 He noted that maybe Commissioner Bester's suggestion about mapping the funds may leave a  
173 much smaller number, which can actually be utilized for levy reduction and, because they are  
174 restricted, they cannot do it because it is State Law. He indicated those are things they have to  
175 be aware of and maybe there needs to be further discussion on this.

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177 Ms. Pietrick indicated within the financial statement there are funds that get rolled up, which the  
178 City does not budget for. She explained she map the 2021 budget and identifying those funds the  
179 City does not budget.

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