

**Finance Commission
Meeting Minutes
January 10, 2023**

Roll Call/Announcements

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

Commissioners Present: Bruce Bester, Wanda Davies, John Murray, Dan Sagisser and Sadiq Dahir

Commissioners Absent: Siafa Barclay, Sandra Klein-Hegge

Staff Present: Finance Director Michelle Pietrick

Finance Director Pietrick stated staff is dealing with the email the Commission received.

Chair Davies explained the email was in regard to an analysis of healthcare costs and cities.

Receive Public Comments

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

Approval of Meeting Minutes

Chair Davies stated on line 42 her name was misspelled. She asked if there were additional changes.

Commissioner Murray moved, seconded by Commissioner Sagisser to approve the November 15, 2022 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester reviewed the tracking report with the Commission. He noted the report is for the year end and there is nothing outstanding on it.

Review Government Budget and Financial Processes

Commissioner Bester explained he sent this report to Ms. Pietrick and Chair Davies. He explained he likes to use this report as a summary to look at all of the tax supported funds, all of the non-tax supported funds, a one-page look. He noted the numbers in his report match the budget that was approved by the City Council. He explained this report also gives the revenues and expenses and the interfund sources and uses of funds that goes into each of the funds. He indicated it shows that the City Council approved a budget that reduced reserves by four million five hundred fifty-one dollars to come to a balance on the budget. Overall, the tax supported funds show a budgeted loss of two million two hundred eighty-eight dollars. The fees supported or non-tax supported funds show a budgeted loss of two million two hundred sixty-three dollars and both of those are offset by the reduction in fund balance.

Ms. Pietrick explained in the Government sector it is referred to as use of reserves as opposed to a loss. Staff had various spreadsheets that were reviewed through the CIP process and through the budget and this works if the Commission wants to look at one single page but what she was trying to lay out in her memo, she noted she wanted to use this in her orientation document for new Commissioners, is staff goes through the audit and the actual results may differ from the budget. The budget is a planning document. The City ends the year with the audit but then the fund reserves from that audit feed into the CIP and the budget because staff does analyze the reserves. In the CIP, where there are a lot of sheets for different funds, the process will build reserves in the tax supported funds to pay for capital items and the taxes are rarely changed unless staff sees a problem coming up in the near term with being able to fund the City's Capital needs

Ms. Pietrick reviewed the process staff goes through to create the budget.

Chair Davies asked for an explanation on the difference between an Enterprise Fund and the other ones that are not Enterprise Funds but still restricted.

Ms. Pietrick reviewed the Enterprise Funds, Special Revenues. She explained the differences to the Commission.

Chair Davies explained in some cases revenue exceeds expenses and she wondered if there is the latitude to utilize the funds for other things.

Ms. Pietrick indicated that often this is to build reserves in the capital areas. Balances in the individual funds are designated for those purposes and should not be used for other purposes in other funds. She continued with her Government Budget and Financial Processes review.

Chair Davies asked if the Communication fund could only be used for communications or is there some flexibility with that account.

Ms. Pietrick explained there is a little more flexibility because this fund is one that is looked at when staff does the year end close outs so if it exceeds its fund balance targets the funds are swept out to the Excess Cash Reserve Fund, but it does have to support the local programming.

Ms. Pietrick continued with the review of the different budgeted funds.

Chair Davies asked if Engineering Services was services for other communities.

Ms. Pietrick indicated the staff time in Engineering Services does provide services to Roseville as well as for other communities. This is on the list of funds she would like the Finance Commission to examine in the 2024 budget.

Chair Davies asked if the staff time was computed at 1.5 times the rate for a staff person and not by the hour.

Ms. Pietrick indicated that was correct. She believed staff is going to take a look at 2023 and do a time study to see how much is Roseville versus other cities and staffing allocation may need to be adjusted appropriately.

Chair Davies asked if that would be a part of the study.

Ms. Pietrick explained it could be but thought it was more of that case of the full-time staff person that is charged there probably only does fifty percent for the other cities and fifty percent for Roseville.

Ms. Pietrick explained the Lawful Gambling funds cannot be used anywhere, the only portion of that the City gets is to cover Police Department staff who examine the premise and also a little bit of Finance staff time. The majority of those funds are given out to the Roseville Community Foundation who then distributes it to various charitable organizations within Roseville.

Commissioner Murray wondered how much money goes out to the Roseville Community Foundation and how much gets used up with administration costs.

Ms. Pietrick indicated roughly twenty percent is Police and Finance and the rest goes to the Foundation. This is a rough estimate based on a five-year average of what the City thinks will be collected.

Ms. Pietrick explained water, sewer, storm and recycling are the Enterprise Funds along with the golf course. The golf course covers its operations but does not cover its capital. There is a transfer into the golf course to cover their capital equipment needs. The funds either come from the Vehicle and Equipment fund for parks or the Building Replacement fund.

Ms. Pietrick noted the EDA General fund is a separate tax levy that the City assesses for economic development. Staff only budgets the levy portion of this fund. This fund also handles several funds that were left over from the Housing and Redevelopment Authority (HRA). This is legally segregated, as is Tax Increment Financing (TIF). The City has a handful of TIF Districts, and the revenue collected there can only be used within the districts or for minor administrative costs.

Commissioner Murray asked when the districts close out does the revenue come to the City.

Ms. Pietrick explained when a district closes the revenue goes back to the three taxing jurisdictions, if there is any residual revenue left. When a district closes, the full value of the property comes onto the regular tax rolls. Those businesses do pay taxes on the full value of the property, it just gets distributed differently until the district decertifies.

Commissioner Murray indicated he understood that but there seemed to be some left over money sometimes when the district closes.

Ms. Pietrick indicated there has been and sometimes the Council directs the money be held for future housing or economic development. She believed there was one instance where the money went into the General fund, which would result in the revenues being higher than the budget in the General fund.

Chair Davies asked what the source was of the half million dollars into the Water fund.

Ms. Pietrick explained that is the American Rescue Plan Act dollars. The City had capital projects in the Water fund and for reporting purposes the City took the whole revenue loss that the City was able to under the ARPA rules but in the City's preliminary plan for how the City was going to spend those dollars, staff identified infrastructure because that was one of the original allowable uses.

Commissioner Murray asked if staff is working on implementing new software and if so, he wondered how the process is going along and if it is going to clarify things. He wondered how the new software will change the reporting.

Ms. Pietrick explained the report is not going to change. What the new software will allow staff to do several things such as being able to take actual transactions from the chart of account and translate them into the reports. She noted right now there are a lot of spreadsheets behind the scenes to make the reports seen by everyone. She indicated there were two vendors that responded to the City and the two companies were interviewed with software demonstrations with multiple staff attending those demonstrations and the BS&A software met the City's needs and are one hundred percent Government focused. Neighboring cities also use this software, Shoreview and New Brighton, and both are quite happy with it. The implementation process will be approximately fourteen to eighteen months. Work has already been started on revamping the chart of accounts.

Commissioner Murray asked if Ms. Pietrick knew how long Shoreview and New Brighton have been using the software.

Ms. Pietrick indicated New Brighton has been using the software for seven years and Shoreview has been using the software for five years.

Commissioner Murray thought that would be long enough to work the kinks out and fix issues with the software.

Chair Davies asked how the cost of the two alternatives compare.

Ms. Pietrick believed the two software programs were pretty equivalent. BS&A actually was the cheaper of the two alternatives.

Chair Davies wondered if the City was required to take the cheapest program.

Ms. Pietrick indicated the City is not required to go with the cheapest program. She explained she was a part of the review in certain areas, but she told staff to be open minded and not to look at the cost component, look at the usability, how efficiently the software works and what staff found was the other vendor did not own all of the components originally. The company bought up other companies and interfaced the programs together. The number one complaint staff had during the software demonstration for this company was that the program kept sitting and spinning when trying to bring up different components of the program because those were plug-in systems. It came down to which program had more functionality and appeared to be easier to use.

Chair Davies thanked Ms. Pietrick for the work done on this and thought it was a useful tool for new Commissioners, but it might be something useful to give the new Councilmembers as well.

Staff Update

Ms. Pietrick explained in November the Finance Commission discussed the internal loan balance repayment and the Commission had decided that the excess Cash Reserve fund would be the appropriate place. She noted she will bring this to the City Council on January 30th for Council action. She wondered if Chair Davies would or Vice Chair Sagisser would be able to attend the meeting in case there are questions from the Council.

Chair Davies thought she would be available to attend.

Ms. Pietrick reviewed the actions taken by the City Council at the January 9th City Council meeting. Including Legislative items.

Commissioner Murray asked if anything come up on the Arden Hills water situation. He noted the City was selling water to Arden Hills and undercharging them.

Ms. Pietrick explained the last two quarters look like the City has been charging Arden Hills what it is supposed to charge.

Identify Discussion Items for the Future Meeting

Chair Davies indicated there will not be a February Finance Commission meeting. She stated the next agenda in March would include selecting a Chair, Vice-Chair and Ethics Commission Representative. She noted Commissioner Murray's last meeting will be in March. She also explained the Commission will review the 2022 Investment Portfolio performance. She suggested maybe in April Councilmember Schroeder could be asked to come to the Commission meeting for discussion, history and insight of things the Commission could look into.

Adjourn

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

Meeting adjourned at 7:31 p.m.