

**Finance Commission
Meeting Minutes
May 11, 2021**

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. Chair Davies requested staff call the roll.

Commissioners Present: Bruce Bester, Wanda Davies, Rachel Japuntich, Ryan Lee, John Murray.

Commissioners Absent: Safia Barclay, Dan Sagisser.

Staff Present: Finance Director Michelle Pietrick

Administer Oath of Office for Finance Commissioner Rachel Japuntich

Chair Davies administered the Oath of Office to Commissioner Rachel Japuntich

Commissioner Japuntich introduced herself and provided her history to the Commission.

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

Commissioner Murray stated line 76 should be changed to: “twenty-five.”.

Chair Davies stated line 78 should be changed to: “appointment only model under which they are...”

Commissioner Murray moved, seconded by Commissioner Japuntich to approve the April 13, 2021 meeting minutes as amended. **The motion carried unanimously.**

Review EDA Loan Programs and Community Development Building Fees

Community Development Director Janice Gundlach and Housing & Economic Development Program Manager Jeanne Kelsey reviewed the EDA Loan Programs and Community Development Building Fees with the Commission.

Chair Davies asked what the source was for the \$785,000 in the residential loan program.

Ms. Gundlach indicated that is an existing EDA fund. She explained it is money sitting in a fund right now from the EDA and is money that originated from the HRA as levy funds.

Chair Davies asked if the program for first time homebuyers is unique to Roseville.

Ms. Kelsey explained this program is unique to Roseville and is probably unique to Ramsey County. The only other city that is offering a program like that is in Woodbury and City staff had conversations with them, otherwise, most other communities do not offer down payment assistance in Ramsey County because Ramsey County has their own program, and it is an income qualification program and also limits the value of the house to \$256,000 and the State also has a down payment assistance program. In order to provide assistance, staff is not able to target any funds legally to any one group of people. Staff wanted to come up with a fair, maybe equitable way of targeting first generation, knowing that most BIPOC community members are not homeowners and do not have long standing homeownership and this was their way to be able to assist with down payment assistance in the community that could target more of a unique group of people who have not owned homes in the past.

Chair Davies asked if this had an income restriction or restricted price of the home.

Ms. Kelsey explained the City does have a limit and she believed they are at one hundred percent of area median income and then the price of the home is at a standard level of \$335,000. She noted the details are in the report as to why staff selected those, knowing that they did not want to have a subsidy going into a \$500,000 or \$600,000 home in Roseville. Staff really wanted this to be first generation.

Commissioner Murray indicated on attachment A, under eligible borrowers, staff is saying that seniors, if the property is held in trust, is ok but that is not noted on the other programs.

Ms. Kelsey explained it was recommended from CEE to consider homes for elderly people, the senior program, because many of them do put their homes in trust and there was an opportunity for them to not automatically rule those homes out of the program.

Commissioner Murray indicated under “Ineligible Borrowers”, what about life estates for the seniors.

Ms. Kelsey indicated she took direction from CEE. One of the things staff wanted to do was to keep all of the programs consistent with other communities that they administer so there were no

problems when administering the loan program. These guidelines come from CEE recommendations with the programs they already currently administer for other cities.

Commissioner Murray asked under Ineligible Improvements, would working from home make those improvements ineligible.

Ms. Kelsey indicated it would not.

Commissioner Murray asked about sweat equity under revolving rehab, it states that materials needed to be obtained and installed before disbursement of the funds. He indicated that is generally the big hurdle to come up with the money for the improvements and may be a big problem for the people.

Ms. Kelsey explained the City has only had a few homeowners who have done sweat equity and she had one individual who decided that she wanted to buy all of the materials, put them into storage and she was not going to do the work until six months later. Staff decided that was not an eligible use of the program funds because they really want people to complete the work, pull a permit and not be storing materials and the City not have a project move forward because of the fact that the program is not a deferred loan and does require payments upon closing out the loan.

Commissioner Murray noted he did see something in the information that work has to be done within 120 days and he wondered if that was in all the programs.

Ms. Kelsey indicated that was correct.

Commissioner Murray asked if bankruptcy would wipe out these loans.

Ms. Kelsey explained bankruptcy is only if a person was wiping out the first mortgage as well because the loans are all in second mortgage. The City has only had one default loan ever in the whole time period that the revolving loan program which has been around since 2002.

Commissioner Murray wondered about the annual administrative fee of \$2,500. He asked who paid that fee.

Ms. Kelsey explained that is paid through the EDA's programs. The EDA is paying CEE to administer all of the City's programs.

Commissioner Murray thought a program aimed at first generation homeowners sounded like a nice idea, but it occurred to him it may be difficult for some people to determine what their parents had done.

Ms. Kelsey explained the City is asking the applicant to say that they are the first generation, and no previous generation currently owns a home.

Commissioner Murray thought that made sense and cleared things up for him.

Chair Davies asked how staff planned to publicize the programs.

Ms. Kelsey explained one way is to put the information in the newsletter, which is a great tool. She noted the majority of the homeowners that take advantage of these programs do read the newsletter. One of the other things the City can do is to advertise on NextDoor and try to have the City promote it that way. It is hard because they also have to try to market it to mortgage brokers out there to make them aware of it for the first-generation homeowners. On the other programs she did not think there will be any problems of users on it because those are deferred programs. She noted she would also reach out to St. Paul Realtors Association (SPAR).

Commissioner Bester indicated staff mentioned there was low utilization because of unattractive rate in the revolving loan program, he wondered what the unattractive rate was.

Ms. Kelsey explained it is four percent and will be kept at that percentage because that is the percent it costs them on a monthly basis to administer that program and the EDA has chosen not to subsidize an interest rate down to a lower rate and knowing that interest rates could possibly change in the future, staff has decided to leave it as is knowing that the program may be utilized when interest rates do go back up to a higher level.

Chair Davies thought this sounded like a great bunch of programs. She approved of staff's creativity and looking at the first-generation purchaser down payment.

Commissioner Murray asked regarding Open for Business, what is the definition of startup costs.

Ms. Kelsey explained startup costs is a broad definition. She listed some of the approved startup costs. She indicated this is also a loan of last resort and not something every business would qualify for in Roseville. This is truly for the individuals that have risk going to a bank and are not lendable. The reason why the City chose to agree to that is because part of their mission is MCCD has to loan sixty percent of their funds to people of BIPOC community. It is a requirement of theirs by the Federal Government for how they get their funds.

Commissioner Japuntich indicated it seemed to make sense and it seems to plug a few holes in the current lending and she thought it was a good idea.

Chair Davies indicated regarding the Building Permit Fees, staff recently did analysis of this for the Council.

Ms. Gundlach reviewed the Building Permit Fees item with the Commission.

Chair Davies asked at what point, as the fund continues to grow, does staff conclude that the fees may need to be reduced and draw down that balance to a more reasonable level.

Ms. Gundlach explained the City has never encountered a period of time long enough where they have needed to reduce fees because the community development fund has grown to a balance

that is just not sustainable unless fees are reduced. They are coming into a very uncertain economic climate and they have already seen some reductions in work, although there is a lot of development going on in the community right now. Staff does think that the City probably will be about level for the next few years and there is no magic number of once the community development fund reaches x number of dollars, staff can talk about reducing the fees. The other important point to make is there are large projects that the community development department undergoes that again are paid for by the community development fund.

Commissioner Bester asked for information on the spike in 2016 that caused a big surplus of revenues over expenses.

Ms. Gundlach reviewed the reason for the spike that occurred in the City with the Commission. She also reviewed with the Commission permit fees and plan review fees.

The Commission and staff discussed park dedication fees and Ms. Pietrick noted this was before the City Council for review and revisions at the May 10th meeting. She indicated there was no final decisions made and was more of a preliminary discussion.

Ms. Pietrick indicated she would reach out to Parks and Recreation to get more information on the park dedication fee per unit in an apartment building.

City Engineer Dave Englund reviewed the length of the projects and ongoing work over a period of time where fees would occur.

Chair Davies indicated staff mentioned the City is updating the Zoning Code. Given all of the discussion about housing affordability and the like, she wondered if that has been a part of Staff's consideration in terms of maybe reducing minimum lot sizes, setbacks, some of that things that can increase the cost of housing.

Ms. Gundlach indicated staff and the Planning Commission met last Wednesday and actually talked about reducing minimum lot size requirements and looking at allowing more than just a single-family home in the single-family residential districts so the City could increase affordability. Those issues are being discussed by the Planning Commission.

The Commission thanked staff for the good information.

Review 2020 Annual Audit Report

Finance Director Pietrick introduced Mr. David Mol, Redpath and Company, LLC who presented the 2020 Annual Audit Report for review by the Commission.

Commissioner Bester indicated on the golf course where revenues are less than expenses, he wondered if the 2020 bar of expenses was depreciation of the clubhouse. He indicated he was trying to understand whether there are two different funds involved in the golf course.

Mr. Mol reviewed the golf course chart and indicated 2020 shows a full year of depreciation for the clubhouse.

Ms. Pietrick noted the Cedarholm building is not in a separate fund, it is in the golf course fund and this is why the depreciation has increased.

Commissioner Bester asked if this is showing that the golf course is not covering its expenses or the activity center of the Cedarholm property or is it both.

Ms. Pietrick indicated the Commission needs to keep in mind COVID occurred two and a half months into the year, and before that occurred and had the lockdown, room rentals, banquet facilities, and concessions, were tracking ahead of budget.

Chair Davies asked when Cedarholm was completed and available for rentals.

Ms. Pietrick believed it was 2019, when it went live, which she thought is what accounted for the increase in revenue.

Commissioner Bester inquired about the Water Fund cash flows, he indicated 2020 seemed to have ended in a great way and looked like operating activity seemed to be stable at 900,000 to one million. He indicated he was less clear on what an ongoing number would be in the noncapital financing activities. By issuing that bond has the City fixed its problem going a couple of years into the future or was that a short-term solution.

Mr. Mol explained the noncapital financing activities as seen in 2020, the \$1,234,554 is the water fund had borrowed cash from other funds internally and that noncapital financing activities was a repayment of that inter-fund loan and presumably will not occur again.

Ms. Pietrick explained the debt capital is taking care of projects. Staff also instituted the new utility rates starting the beginning of 2021. Those two combined should help the water fund regain ground because the utility rates are factoring in capital differently. She thought they have stopped the flow of cash out of this fund, and she thought they were on a path to recovery. She noted this will be evaluated on an annual basis to verify and make sure that it is on track as part of the City rate setting every year.

Commissioner Murray indicated he was looking at the antenna leases and he noticed there were different amounts for different antennas for the same location, also different rates of increases on those leases. He wondered if there is a consistent way the City negotiates those leases.

Ms. Pietrick explained those were all negotiated before her time and it was her understanding that the City has periodically been approached by some of these companies to renegotiate the leases. She indicated she was working with Public Works to figure out a different solution.

Commissioner Murray indicated on page 71, it is using a discount rate of 6.25 percent on net pension liability, but that is different from the discount rate for the PERA which uses 7.5 percent and he wondered if those two should be coordinated somehow.

Ms. Pietrick thought the note is straight from PERA.

Mr. Mol explained this is on the volunteer fire fighter and these are done by different actuaries. He believed what they are allowed to use is a discount rate, not only what they anticipate will be the yield on investments, but looking at the history, in the footnotes, there is the expected real rate of return and how they arrived at the 6.25 percent up above.

Commissioner Murray thought the two percentages should come close to the same number.

The Commission reviewed with staff some possible typographical errors.

Commissioner Japuntich thought in general the City seemed to weather the COVID storm fairly well and it looks like everything that increased is in line with what increased in other cities. She did notice that it was mentioned there were some delayed expenses and it looks as if those may be Public Works expenses, in the appendix. She thought in the budget process that probably should be increased in future years.

Ms. Pietrick explained as a whole, the City of Roseville did weather COVID fairly well. The two areas that were most impacted were the license center, which was closed for six weeks and has now been open using the appointment model. The City lost about half a million dollars of revenue which will most likely be recovered under the new Fiscal Recovery Act dollars that the City will be receiving from the Federal Government in 2021. The other area was Parks and Recreation. Their programs basically came to a halt for the majority of the year or were operated under very limited capacity at points in the year. Because the programs were not run, expenses were not incurred. While the revenue for 2020 is down compared with what was budgeted and compared with 2019, expenses are also down significantly. Their net reduction was about \$200,000. She indicated the City has weathered the storm fairly well.

Chair Davies thanked Mr. Mol for the presentation.

Receive Finance Commission Recommendations Tracking Report

Chair Davies stated the Commission is still looking for someone to take this over and keep it up and report on this at each meeting.

Commissioner Bester indicated he will volunteer to take the tracking report over.

Recap Joint Meeting with City Council

Chair Davies reviewed the Joint meeting with the City Council. She thought the Cash Reserve review will be at the June meeting. She noted Councilmember Strahan was interested in the pricing of parks programs and the Commission may want to take a look at what they charge and at the same time find out how the Park Commission decided on the four thousand dollars that gets charged to each home. Mayor Roe was interested in Emerald Ash Borer funding and she believed that they were looking for some funding in addition to the Park budget on that. She was not sure what the status on that was.

Ms. Pietrick indicated that is in the Parks CIP, which they have been budgeting roughly two hundred thousand per year.

Commissioner Murray asked if the Parks Commission came up with some estimates as to what things would cost or what could possibly be done to solve the problem.

Ms. Pietrick explained all she has heard is that it is an extremely large dollar amount. She reviewed what the Parks Commission is doing to try to find the funds for the EAB problem.

Chair Davies explained Councilmember Willmus encouraged the Commission to be involved in the new City campus project. Councilmember Etten encouraged the Commission to work on communicating with the public on taxes and levy and helping people to understand what the different terms are and how they work together.

Commissioner Bester thought the Mayor and Council exceeded his expectation in terms of trying to give the Commission good feedback and suggestions.

Chair Davies agreed and she thought the Council was actually quite interested and engaging with the Commissioners with suggestions. She thought it was a good meeting.

Staff Update

Finance Director Pietrick updated the Commission on the Park Dedication Fee Ordinance discussed at the City Council meeting. She indicated she intended to have the purchasing policy on the April 26th Council meeting, but staff is using a racial equity toolkit to evaluate policies to make sure there are not any unintended bias in them. She planned on bringing it to the Council for approval in June. She noted the EDA approved entering into a purchased agreement with the Genesis Credit Union for the sale of the Fairview Fire Station. Public Works discussed water efficiency rebate program related to irrigation systems and the PWETC is going to be reviewing the Recycling RFP results at their May 27th meeting. She indicated in order for the Finance Commission to look at the RFP before it goes to the City Council the Commission will need to meet on June 3rd to review this.

The majority of the Commission indicated they could meet on that date.

Commissioner Murray indicated the Commission has really tried to up the Purchasing Policy threshold to ten thousand and he wondered if that looks like it will likely go through.

Ms. Pietrick explained she is going to try to encourage the Council to adopt that, using the fact that it has been over twenty years, the fact that the surrounding cities actually have a higher rate, the fact that State Statute allows a City Manager to have authority up to twenty thousand dollars and just the mere amount of staff time spent.

Commissioner Murray wondered if the City Council would be receptive to that or not.

Ms. Pietrick was not sure but would do her best to encourage that change.

Identify Discussion Items for the Future Meeting (June 3, 2021)

Chair Davies stated the next agenda would include discussions on:

- Review Recycling RFP results
- 2022-2041 Capital Improvement Plan review

Adjourn

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

Meeting adjourned at 8:47 p.m.