

Commissioners:

John Bachhuber
Matt Harold
Edwin Hodder
Malcolm McRoberts
John Murray
Robin Schroeder
Peter Zeller



**Finance Commission
Agenda
Tuesday, March 13, 2018
City Council Chambers
6:30 p.m.**

Address:
2660 Civic Center Dr.
Roseville, MN 55113

Phone:
651 - 792 - 7002

Website:
www.cityofroseville.com

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:

MEMO_MINUTES.PDF
ATTACHMENT_A_MINUTES.PDF

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

Documents:

MEMO_FC_RECOMMENDATIONS_TRACKER.PDF
FINANCE COMMISSION RECOMMENDATION
TRACKING_ATTACHMENT_A.PDF

5. 6:50 P.M. Continue Discussion On Topics For The Joint City Council-Finance Commission Meeting

Documents:

MEMO_COUNCIL_JOINT_MEETING_REVIEW_2.PDF
JOINT_MEETING_TOPICS_MINUTES.PDF

6. 7:15 P.M. Discussion On Proposed Property Acquisition At 2719 Lexington Avenue

Documents:

MEMO_PROPOSED_PROPERTY_ACQUISITION.PDF

7. 7:30 P.M. Review 2017 Preliminary Year-End Cash Reserve Levels

Documents:

MEMO_CASH_RESERVES.PDF

8. 8:00 P.M. Review 2017 Investment Portfolio Performance

Documents:

MEMO_INVESTMENT_PORTFOLIO_PERFORMANCE.PDF

9. 8:15 P.M. Consider Selecting A Chair, Vice-Chair, And Representative To The Ethics Commission

Documents:

MEMO_CHAIR_VICECHAIR.PDF

10. 8:25 P.M. Identify Discussion Items For Future Meetings

Documents:

ANNUAL_WORKPLAN_2018.PDF

11. 8:30 P.M. Adjourn

Staff Contact:

Chris Miller, Finance Director
651-792-7031

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #3: Approve the Minutes from the February 13, 2018 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 February 13, 2018 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 will 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 February 13, 2018 meeting.

Prepared by: Chris Miller, Finance Director
Attachments: A: Draft Minutes from the February 13, 2018 Finance Commission Meeting

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**Finance Commission
Meeting Minutes
DRAFT – February 13, 2018 - DRAFT**

Roll Call/Announcements

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

Commissioners Present: Robin Schroeder, Peter Zeller, John Bachhuber, Matt Harold, Edwin Hodder, Malcolm McRoberts, and John Murray

Commissioners Absent: None

Staff Present: Finance Director Chris Miller

Chair Schroeder announced that Commissioner Zeller will be leaving the Finance Commission, and she encouraged interested members of the public to apply for the upcoming vacancy.

Receive Public Comments

Cynthia White publicly thanked Commissioner Zeller for his service on the FC. Ms. White then asked when the Commissioners knew the City Council voted to purchase the strip mall wherein the License Center resides.

The Commissioners indicated they found out at the same time the rest of the public found out.

Ms. White responded that seems odd that the FC was not involved in the decision-making process.

Finance Director Miller updated the Commission that the City Council voted to proceed with purchasing the License Center with a closing date in a couple of months. The due diligence period is occurring right now.

Finance Director Miller was asked about the price, and indicated that part of that type of information is public and part of it is private. The purchase number of \$2.3 million is public information. He noted that the entire strip mall is about 14,000 square feet. The Council is interested in buying the entire property, and the License Center will stay there for the foreseeable future.

Commissioner Bachhuber asked why the Council decided to buy public property.

Finance Director Miller recalled that several reasons were cited, including the City's need for additional storage; that it makes sense to have the License Center in a City-owned facility; and its proximity to the City Hall campus, thus providing a strategic location for future initiatives.

47 Commissioner Murray asked about the City’s plan to finance the purchase.
48

49 Finance Director Miller added that the City will use bonds to finance the acquisition, and would
50 then use rents collected from tenants to pay off those bonds. The plan in the near-term is for the
51 City to occupy half the strip mall while the paying tenants will occupy the other half.
52

53 In response to a question from the Commissioners, Finance Director Miller stated the bonds
54 would typically be structured for 15 years.
55

56 Commissioner Murray questioned whether it is realistic to have the rental payments cover the
57 cost of the bonds.
58

59 Chair Schroeder suggested it would be worthwhile to receive additional information on the
60 financials.
61

62 In response to questions from the Commission, Finance Director Miller recounted the timeline of
63 the City’s decision to acquire the strip mall.
64

65 Chair Schroeder asked whether the City plans to utilize the large amount of money (\$900,000 to
66 \$1 million) that is currently set aside to pay for the bonds or pay for renovations.
67

68 Finance Director Miller responded that could be part of the financial package or for the
69 renovations, but it has not yet been decided.
70

71 Chair Schroeder suggested adding this item to the Commission’s agenda next month, so that
72 more information can be shared with the FC.
73

74 Finance Director Miller responded the City Council has shared publicly what they are willing to
75 share. What is included in the articles is all that is available right now.
76

77 Commissioner McRoberts asked whether this should have been included in the CIP.
78

79 Finance Director Miller responded that any capital improvements needing to be made at the
80 License Center should be included in the CIP.
81

82 Commissioner Bachhuber concurred that any capital need should show up in the CIP.
83 Furthermore, he is unsure what the City Council wants the FC to do, if it is willing to make that
84 kind of decision without input. He commented that the purchase price was \$2.3 million with an
85 estimated value of \$1.6 million. He wondered about a faulty assessment. It seems like the
86 property values for residential is more in line with market values than what this appears to be.
87 Either the City overpaid significantly or the City is underestimating the value of commercial
88 property in Roseville.
89

90 Commissioner Murray asked for specific financial details. Finance Director Miller indicated he
91 will pass that request along to the Council.

92
93 Commissioner Bachhuber added to the request that an invitation for the Mayor to come speak to
94 the FC to provide additional details.

95
96 Commissioner Zeller noted that the recommendations of the FC, like the 4% tax levy increase,
97 do not seem to hold as much weight with the City Council as other Commissions do. It would be
98 helpful to have the Mayor come in and explain the process to the FC. This purchase changes the
99 assumptions under which the FC.

100
101 Chair Schroeder agreed, noting that it would be reasonable to have expected the Council to have
102 asked for the FC's opinion or at least given some notification.

103
104 Commissioner Bachhuber recalled that the City Council had previously expressed a desire to
105 figure out how to maintain existing assets before buying new assets -- with this strip mall being
106 considered a new asset -- before it has figured out how to maintain existing and replacement
107 assets.

108
109 Finance Director Miller noted the due diligence period is still underway. This is not the first
110 group to express these thoughts; the Council has heard that since voting. What explanation they
111 want to give in response, he is not sure.

112
113 Commissioner McRoberts stated it would be easier for the FC to help the City if it was aware of
114 these things.

115
116 Chair Schroeder noted this is not the first time this type of thing has come up, and it causes her to
117 question the purpose of the FC. Significant time and effort is spent by the Commissioners.

118
119 Commissioners Hodder and Harold concurred with the sentiments of the Commission.

120

121 **Approve Meeting Minutes**

122

123 Commissioner Zeller noted the following correction to the January 9, 2018 minutes:

- 124 • On Line 85, "average" should be "overage"

125

126 Chair Schroeder noted the following correction:

- 127 • On line 227, it should read "to ensure they are set to an appropriate level"

128

129 Commissioner Murray moved, seconded by Commissioner Zeller, to approve the January 9,
130 2018 meeting minutes as amended. **The motion passed unanimously.**

131

132 **Receive Finance Commission Recommendations Tracking Report**

133

134 The Commission approved of the tracking report and thanked Finance Director Miller and
135 Commissioner Harold for their work.

136

Continue Discussion on Establishing a Cash Reserve Fund

137
138
139 Finance Director Miller stated the consensus at the January meeting seemed to be that the FC
140 wanted to wrap up consideration of this item. The staff report highlights the important
141 discussion points of the Commission (pages 1-2) as well as the nuances behind what staff
142 recommended (starting on page 3). The staff has suggested using excess funds already in the
143 general funds, and not use other operating funds like IT and the License Center. The report gives
144 the staff's emphasis of best practices that most Municipalities follow. Staff thinks it should be
145 narrow in scope and let that play out for a couple years to see whether it achieves the outcome
146 some are looking for. Ultimately, however, it is up to the FC to give a recommendation to the
147 City Council.

148
149 Chair Schroeder asked about the public donations referenced on the chart on page 2.

150
151 Finance Director Miller explained the general public provides donations for specific purposes.
152 That does not carry a legally binding mandate but there is a lot of intent. Thus, the City should
153 think hard about honoring that intent. Moving those funds to another purpose will undermine
154 public trust. Regardless of what happens with the cash reserve fund, staff suggests the City
155 continues to honor the donations.

156
157 Commissioner McRoberts stated he understands the logic, but this is giving an artificially low
158 picture of the reserves available at Parks and Rec.

159
160 Finance Director Miller noted the purpose of this memo was the last column, and it was in
161 response to a question about how much cash is available.

162
163 In response to a question, Finance Director Miller explained how the target is decided upon: to
164 be sure there are enough cash reserves in between revenue collection periods, for the next 12
165 months.

166
167 Chair Schroeder noted staff has suggested just doing the one fund.

168
169 Finance Director Miller noted staff feels strongly that, in the absence of Council discussion,
170 these other funds were created with intent and evolved over a period of decades. That
171 conversation with the Council has not yet taken place. Rather than automatically taking the
172 money out because it is excess and place it in the cash carry-forward fund, there ought to be a
173 careful process before undoing what has been done for decades.

174
175 Commissioner McRoberts clarified the Commission has said, if the funds are swept, then the
176 Council can more appropriately see the funds.

177
178 Chair Schroeder also recalled the CIP should be taken out of these funds before anything is done.
179 The sweeping does not work if capital is included in the funds.

181 Finance Director Miller stated this chart gives the transparency of where the excess reserves
182 came from. Cities have gone to great lengths never to have a pile of money sitting aside with an
183 undecided future. That used to happen all the time, and there was fair amount of criticism from
184 the public.

185
186 The Commission discussed the best way to display the cash reserves. It was also noted that there
187 is a relationship between the CIP and the cash reserves.

188
189 It was suggested by Chair Schroeder that when the money is earmarked for something like the
190 License Center, it should not be a cash reserve fund; it should be in a CIP. It is easier to tell the
191 public that this money is in the CIP fund than it is just sitting there in the cash reserves.

192
193 Commissioner McRoberts stated it is important to have the cash reserves split out to help the
194 Council and public see where those funds are coming from.

195
196 Commissioner Zeller noted he has tried, since the last meeting, to put some scenarios together to
197 see how this would work. He noted this policy does not address the deficit side of things, which
198 happens almost as frequently as surpluses. In addition, the FC has recommended a policy to deal
199 with excess amounts in the budgets. He recommended rejection of the proposal as it has been
200 presented, to create a single cash reserve fund.

201
202 Commissioner Zeller moved to REJECT the future initiatives funding program as presented by
203 the City, put together by staff and dated on July 12, 2017, and recommend sticking with the
204 current operating and fund reserve policy.

205
206 Finance Director Miller noted the Council's direction was not to comment on staff's proposal but
207 rather to comment on the creation of a cash carry-forward policy and process. Staff had already
208 given its recommendation as a separate aside. The Council wants to know if what is
209 contemplated on page 2 of the staff report is a good idea.

210
211 **Commissioner Zeller withdrew his motion.**

212
213 Commissioner Zeller emphasized that any policy needs to address a deficit.

214
215 Chair Schroeder noted she did not support the policy put forward by the staff. Most of the
216 Commission had come to that conclusion, she recalled.

217
218 Chair Schroeder commented if capital cannot be removed from the operation funds, then cash
219 carry-forward does not work.

220
221 Finance Director Miller noted that removing the capital is possible. The first two do not have
222 capital, but the last three do. There is a mechanism to remove the capital; that is easy, as shown
223 in the flow chart. The question is whether to sweep what is left over into a single fund. That is
224 the remaining question.

225

226 Commissioner McRoberts asked if the question boils down to whether the surplus stays in one
227 budget or it if stays in five buckets.

228

229 Chair Schroeder questioned whether it is easy to remove the capital.

230

231 Finance Director Miller responded that when the money is removed, right now, all of this cash is
232 discretely presented in the financial statements. That is already there. He explained the capital
233 will get blended with other funds. Separate CIP funds can be created, but there is no good
234 mechanism to display every separated fund in the financial statements. The financial statement
235 would get quite large.

236

237 The Commission suggested having a discretely presented License Center capital fund and
238 another discretely presented License Center operating fund. This will get to better transparency
239 for citizens.

240

241 Finance Director Miller noted the general fund and Parks and Rec funds also have capital funds;
242 they are just not discretely presented.

243

244 The Commission discussed pulling out the License Center, to display operations and capital;
245 also, how to separate the operating funds from the CIP.

246

247 Finance Director Miller noted there are generally accepted accounting principles, which staff
248 will continue to follow; but moving the capital out from the operating and still showing the
249 reserve funds is easy to do.

250

251 Commissioner Bachhuber commented the cash reserve fund is there to provide insurance for
252 departments. It is unnecessary to provide insurance on 5 funds at a premium when it can be
253 provided across all funds at once. It costs the City less on unused capital when it is done across
254 the board. This does not reduce anyone's budget.

255

256 It was discussed what would happen if there is a deficit. It was suggested that the City should
257 budget for increasing the cash reserve fund the year it is needed.

258

259 Commissioner Bachhuber moved, seconded by Commissioner Murray, to propose that the
260 Council adopt the strategy that cash reserve policy should be one where the City removes the
261 capital funds, creating CIP funds for those accounts, and sweeping any excess. Once all those
262 funds are at least at a minimum, any excess would go into a centralized account which the
263 Council would be expected to take action on, whether that is for to help shore up CIP deficits or
264 for tax relief or for any other purpose. Those amounts would not just sit in cash reserve funds.

265

266

Commission Discussion

267

268 Commissioner Zeller expressed concern about the last box on the flowchart. He would like to
269 see a little more framework around a specific recommendation. Something to provide guidance
270 would be a prudent thing to do, and he would not support a motion without those parameters.

271 Chair Schroeder suggested the motion be modified to indicate this concept can be presented to
272 the Council and the FC could then look at it again and add more details. If the Commission puts
273 a lot of time into it, and the Council does not like it, then it would return to square one.
274

275 Commissioner Bachhuber added this may allow the City to have smaller cash reserve targets.
276 And if the CIP is pulled out, it is no longer masking the amount of excess that exists within those
277 funds. This makes it clear what is needed and it is called out what is extra. There is no need to
278 be more specific right now. He indicated he is comfortable in proposing this to the Council and
279 receive feedback from them. Further, he is not inclined to put much more effort into it, without
280 knowing of the Council’s support.

281
282 Commissioner McRoberts concurred there is a philosophical discussion to be had first, among
283 the Council.

284
285 Commissioner Zeller stated as a concept to move forward, he will support the motion.
286

287 Chair Schroeder summarized that the motion calls for page 2 of the staff report as the proposal,
288 with the addition on the 4th box of ensuring that no individual box is less than its minimum
289 target.

290
291 Finance Director Miller asked for clarification on the term “excess” cash reserve targets.
292

293 Commissioner Bachhuber clarified it should be excess of the target amount. Everything above
294 the midpoint, while ensuring all of the funds are above the minimum. This is a proposed policy,
295 for the Council to consider.

296
297 Commissioner Harold commented that the midpoint would then effectively become the new
298 maximum, if a fund is never allowed to grow above that midpoint.
299

300 Finance Director Miller noted the target reserve levels are reviewed annually.
301

302 **Commissioner Bachhuber amended the motion, and Commissioner Murray accepted the**
303 **amendment**, to clarify that the City would sweep anything in excess of the maximum of the
304 target reserve levels for each fund, ensuring each fund has its minimum amount. The City will
305 review the maximum and minimum of those funds.
306

307 **The amended motion carried unanimously.**
308

309 Chair Schroeder stated she would like to see the numbers with capital taken out.
310

311 Member McRoberts asked how the Communications fund is funded. Finance Director Miller
312 noted the funding comes through franchise fees. There are more expenditures than revenues, in
313 the 2017/2018 budget. A course correction will be needed at some point. The expenditures will
314 have to be adjusted. The franchise fees being taken in are already at the maximum allowed by
315 State law.

316 **Review 2018 Annual Work Plan**

317

318 Chair Schroeder asked whether April is the earliest time for reviewing year-end reserve funds.

319

320 Finance Director Miller responded that is the earliest those finalized numbers will be available.

321

322 Chair Schroeder suggested moving the discussion up to March, even knowing unaudited
323 numbers will be used. She also suggested a policy review later in the year, since the FC's work
324 is based upon the policies.

325

326 Chair Schroeder asked whether the FC can review the 2019 levy any earlier than September.

327

328 Finance Director Miller responded the City Manager-recommended budget will come out late
329 August, so the earliest it can be seen by the FC is in September.

330

331 Chair Schroeder noted the budget and the levy are the biggest things that happen in the year, and
332 it would be wonderful to move them up, if possible.

333

334 Commissioner McRoberts stated a discussion about what the FC's role is would be helpful,
335 especially after seeing how the Council responds to the policy recommendations above.

336

337 The Commission concurred.

338

339 **Discuss Topics for the Joint City Council-Finance Commission Meeting**

340

341 Finance Director Miller asked about March 12 or March 26 for a joint meeting.

342

343 The Commission decided on the joint meeting with the Council on March 26, 2018.

344

345 Finance Director Miller summarized he will present a handful of questions to the Mayor
346 regarding the acquisition of the strip mall housing the License Center, and he will also extend an
347 invitation on the FC's behalf for the Mayor to attend the March 13th FC meeting.

348

349 **Identify Discussion Items for the Future Meetings (March 13, April 10, May 8)**

350 • Review 2017 Investment Performance (Mar)

351 • Select Chair and Vice-Chair (Apr)

352 • Review 2017 Year-End Cash Balances (Apr)

353 • 2019-2038 CIP Review (May, Jun)

354

355 Commissioner Murray stated he made an inquiry about what is going on with the State
356 Investments Board, and has received no reply.

357

358 Finance Director Miller responded that he is not surprised that that response has not been a
359 priority.

360

361 **Adjourn**

362

363 Commissioner Zeller moved, seconded by Commissioner McRoberts, to adjourn. **The motion**
364 **passed unanimously.**

365

366 Meeting adjourned at 8:14 p.m.

367

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #4: Review Finance Commission Recommendations: Tracking Report

Background

A summary of the Finance Commission's recommendations submitted to the City Council since 2015 is included in *Attachment A* for review.

Staff Recommendation

Not applicable.

Requested Commission Action

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

Prepared by: Chris Miller, Finance Director
Attachments: A: Tracking Report

**Roseville Finance Commission
Recommendation Tracking Tool**

No.	Recommendation	Date Recommended	Date Presented	Status	Discussion and Next Steps
2015-1	Financial Policies	6/9/2015	8/17/2015	Implemented	
2015-2	CIP Funding Strategies	7/14/2015	8/17/2015	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2015-3	Park Dedication Funds	8/11/2015	8/17/2015	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2015-4	Water & Sewer Rate Structure	8/11/2015	8/17/2015	Implemented	
2015-5	CIP: Golf Course Funding Strategy	9/8/2015	8/15/2016	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2015-6	CIP: PIP Funding Strategy	10/13/2015	8/15/2016	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2016-1	CIP: PMP Funding Strategy	8/10/2016	8/15/2016	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2016-2	CIP: Facilities Funding Strategy	8/10/2016	8/15/2016	Received - Closed	Recommendation is part of long-term CIP. Specific actions will be addressed year by year moving forward.
2016-3	Cash Reserves	10/11/2016	10/15/2016	Rescinded	
2016-4	Roles and Responsibilities	10/11/2016	3/20/2017	Implemented	
2017-1	Capital Investment Policy	1/10/2017	3/20/2017	Implemented	
2017-2	Preliminary Cash Carry Over Fund	4/11/2017	11/13/2017	Accepted	Council received recommendation and directed Commission to investigate fund further
2017-3	Priority Ranking Implementation	6/13/2017	11/13/2017	Accepted	Council directed Commission to reassess priority ranking policy and implementation

Roseville Finance Commission
Recommendation Tracking Tool

No.	Recommendation	Date Recommended	Date Presented	Status	Discussion and Next Steps
2017-4	Roles and Responsibilities	7/11/2017	11/13/2017	Closed	Accepted revised roles. Will formally adopt code change at later date.
2017-5	Utility Rate Structure	10/10/2017	11/13/2017	Accepted	
2017-6	Preliminary Tax Levy	10/10/2017	11/13/2017	Received - Closed	Will take recommendation into advisement when setting final levy
2017-7	Preliminary Tax Levy - Long-term	10/10/2017	11/13/2017	Received - Closed	Recommendation is part of long-term budgeting. Specific actions will be addressed year by year moving forward.
2017-8	Priority Ranking Implementation	12/12/2017	TBD		
2017-9	Use of TIF Funds	12/12/2017	TBD		

**Roseville Finance Commission
Recommendation Tracking Tool**

No.	Recommendation	Description
2017-2	Preliminary Cash Carry Over Fund	Preliminary approval of the concept of the creation of the Cash Carry Over Fund and request additional direction from the City Council on the development of a policy.
2017-3	Priority Ranking Implementation	A recommendation to the City Manager that the best way to implement the City's Capital Improvement Policy is to have staff categorize their requests in line with the policy's priority rankings and submit them in a manner that allows the Finance Director to filter the categories.
2017-4	Roles and Responsibilities	Add language to City Code 208.02 as: "Item G: Review City's financial affairs and bring to the City Council any items of concern or suggested improvements" and " Item H: Perform other duties the City Council assigns." <i>Suggested added at 10/10/2017 meeting.</i>
2017-5	Utility Rate Structure	Recommend no change to utility structure with regard to distribution between single family residential and multi family/commercial properties
2017-6	Preliminary Tax Levy	Recommend a total increase of city impact on the average single-family homeowner of 2.0% for 2018; this would amount to a \$250,000 increase to the tax levy over the City Manager Recommended Budget. Further recommend prioritization of CIP shortfalls for these new funds.
2017-7	Preliminary Tax Levy - Long-term	Recommend an additional \$750,000 be added to the tax levy over next 3 years to address deficits in the CIP and use of operating reserves.
2017-8	Priority Ranking Implementation	Recommend the City Council direct staff to begin using the priority rankings as adopted in the Capital Investment Policy for future budgeting cycles.
2017-9	Use of TIF Funds	Recommend the \$850,000 in excess TIF funds be used to pay down the internal loan from the Street Fund for the Golf Course and the remaining monies needed for the construction of the Golf Course taken from the Park Dedication fees and not the Street Fund.

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

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #5: Identify Discussion Topics for the Joint Meeting with the City Council

Background

At the February 13, 2018 Finance Commission meeting, the Commission selected March 26, 2018 for a joint meeting with the City Council to allow the Finance Commission to submit their recommendations regarding several policy issues that the City Council had directed them to review. These requested recommendations included:

- 1) A recommendation on whether to revise the Capital Investment Policy regarding the incorporation of a CIP Priority Ranking process (*Dec 12, 2017 Discussion*).
- 2) A recommendation on the final disposition of the \$850,000 in excess TIF proceeds from the recently decertified TIF District #11 (*Dec 12, 2017 Discussion*).
- 3) A recommendation on whether to fund water, sanitary sewer, and storm sewer infrastructure replacement through the property taxes rather than utility base rates (*Jan 9, 2018 Discussion*).
- 4) A recommendation on whether to establish a Cash Reserve (Cash Carryforward) Fund (*Pending Feb 13, 2018 Discussion*).

Excerpts of the December, 2017 and January, 2018 meeting minutes denoting the Commission's recommendations are included in *Attachment A*.

It is suggested that the Commission affirm what its recommendations are for these items and determine how they might be presented at the Joint Meeting. The Commission may want to consider whether to submit other comments or suggestions as well.

Staff Recommendation

Not applicable.

Requested Commission Action

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

Prepared by: Chris Miller, Finance Director
Attachments: A: Minutes from the December 2017 and January 2018 Meetings

Finance Director Miller clarified the concept of creating some sort of cash carry forward fund was so the City could take the excess monies and prioritize how they are spent. This would imply that the City has priorities that are more than the department priorities.

Commissioner Bachhuber stated it would be the City Manager's job to know what the City's priorities were.

Finance Director Miller stated this is what the City Manager does with the City Manager Recommended Budget. He is letting the City Council know what he feels should be funded to meet the needs of the City.

Chair Schroeder stated this item should be added to the next agenda for further discussion.

Continue Discussion On The CIP Priority Rankings

Chair Schroeder provided Commissioner's Harold's comments: At this point there are two options to recommend to the Council. The first is to add the CIP priority rankings as guidance only and state it as such in the Capital Investment Policy. The other is to update the policy to direct staff to add the priority rankings to next year's expenditures when updating the CIP. The Council did not seem to think that having staff assign the priority rankings had value so until the Council changes their mind it would probably be best to add language that the rankings are guidance only.

Commissioner McRoberts stated the guidelines would not be useful if the projects are not classified or ranked in order of importance.

Commissioner Bachhuber stated his recommendation would be follow the policy that was adopted and ask staff to start categorizing their projects.

Chair Schroeder stated she would agree because if it is done this information would be available in the future. The Council asked the Commission to review this item so the Commission should make a formal response and this could be in the form of a motion.

Commissioner Bachhuber made a motion, seconded by Commissioner McRoberts to recommend the City Council direct staff to begin using the priority rankings as adopted in the Capital Investment Policy for future budgeting cycles.

Commissioner McRoberts stated if the City felt there was value in prioritization whether for discussion or advisory you cannot do this unless the projects are categorized.

Commissioner Bachhuber stated the Capital Investment Policy is guidelines and is not binding by law. The City can make decisions without following the policy.

Chair Schroeder called the motion to a vote. The motion carried unanimously.

Finance Director Miller stated the Commission could ask for a joint session with the City Council to discuss this recommendation. There are other items the Council requested recommendations on and he would recommend combining these.

Chair Schroeder stated she would like to see this item presented to the Council so they understand the Commission's view.

Discussion On The Distribution Of Excess TIF Monies

Finance Director Miller stated the City recently received approximately \$850,000 in excess TIF funds. This is a one-time capture of money. Council also asked staff for a recommendation. Staff's recommendation had been to use these funds to offset the costs with the Golf Course and community building construction.

Commissioner Zeller stated the monies are taken off the tax roll to fund the TIF money up front. He clarified these funds were not restricted.

Finance Director Miller stated once the district has been decertified the funds are no longer restricted.

Commissioner Zeller stated he sees these funds as belonging in the general fund as part of tax revenues coming from other tax revenue sources.

Commissioner McRoberts stated if the City were using priority rankings then the City would know where the needs are. At this time, he is not sure there would be any reasons not to use these funds for the Golf Course.

Commissioner Hodder stated using these funds for the Golf Course would be prudent, as the City had discussed transferring \$1 million from the street fund. Making this type of transfer would destabilize the street fund if these monies were not paid back.

Commissioner Bachhuber stated the City had already made a commitment and at the time this was made the project had not been fully funded. Using the TIF monies for the Golf Course would make sense.

Commissioner McRoberts asked why the deficit between the TIF monies and the amount needed for the Golf Course would not come from the park dedication fees.

Finance Director Miller stated the Council is using \$1 million of these funds but would like to leave the remaining to be used for future park acquisitions and improvements.

Chair Schroeder stated this gets back to what Commissioner Bachhuber stated in that the City should use the funds available so as not to incur additional debt and also not have monies set aside “just in case”. The Golf Course is a new initiative and the Council did not want to spend down the park dedication fund for future new initiatives. Since this is a new initiative it should qualify and the City should use the available funds in the park dedication fund.

Commissioner Bachhuber stated the Commission had originally recommended using the parks funds since this is a park initiative. The Council had decided against this recommendation.

Chair Schroeder stated her recommendation would be to use the TIF monies toward the Golf Course and the remaining gap in funding from the park funds. And not the street fund.

Commissioner Zeller made a motion, seconded by Commissioner Bachhuber to recommend the \$850,000 in excess TIF funds be used to pay down the internal loan from the Street Fund for the Golf Course and the remaining monies needed for the construction of the Golf Course taken from the Park Dedication fees and not the Street Fund. **The motion carried unanimously.**

Consider Establishing A 2018 Work Plan

Chair Schroeder reviewed the work plan prepared by staff.

Commissioner McRoberts asked to include an update of the financials for the General Fund, Parks and Recreation Fund, Communication Fund, Information Technology Fund, and License Center Fund in March.

Finance Director Miller stated these financials would not be available until June for the Commission to review. Staff could provide preliminary information for these funds by the April or May Commission meeting.

Commissioner McRoberts stated he would like to know what the short falls would be for the Golf Course.

Finance Director Miller stated the Parks and Recreation Department could prepare this information for the Commission.

Commissioner McRoberts stated the Commission needs to somehow figure out some visibility to the ongoing operating expense for the CIP where it is materially different from that which is in place with existing capital.

Finance Director Miller clarified the Commission would be looking for the costs for the ongoing maintenance costs for new capital investments. He stated this would not be something that he could provide.

Chair Schroeder stated they could add discussions on the CIP policy to the work plan.

269 Commissioner Bachhuber stated the next discussion points would be what are the individual
270 limits in each of the funds and what would the limit be for the sweep fund.

271
272 Commissioner McRoberts suggested the sweep fund have a target level that would be sufficient
273 to be able to fund those areas that fall below their targets and if this account gets above the target
274 there should be a formal review.

275
276 Chair Schroeder clarified this concept would budget to the target low for each fund and
277 everything above that would be moved to the cash carry forward fund. The cash carry forward
278 fund would also have a target range and if the fund goes above this amount the City would have
279 a formal review and discussion on what the funds should be used for and the remaining funds
280 would be used to keep the funds at the target levels. She asked Finance Director Miller what the
281 target range would have to be for the cash carry forward fund in order to support the City if a
282 need were to arise. The Commission would like to know how these policy changes would
283 impact the funds.

284
285

286 **Discussion On Utility Infrastructure Replacement Funding Strategies**

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288 Chair Schroeder stated the Commission had reviewed this previously and had unanimously
289 agreed that the utility infrastructure replacement funding should not be included in property
290 taxes.

291
292 Commissioner Murray asked if there had been any changes since the Commission had reviewed
293 this item.

294
295 Finance Director Miller stated there were no changes. The impact for the average household
296 may not be significant but other property types would be impacted significantly more.

297
298 Commissioner McRoberts stated the value of the infrastructure does not change with the price of
299 the house.

300

301 Commissioner Harold moved, Seconded by Commission McRoberts to recommend the City not
302 change the way the rates are charged for the utility infrastructure funding. **The motion carried**
303 **unanimously.**

304
305

306 **Identify Discussion Items for the Future Meeting (Feb. 13, Mar. 13, April 10)**

307
308 Chair Schroeder stated the next agenda would include continued discussions on the cash carry
309 forward fund, the draft meeting calendar and meeting topics and review and discussion of items
310 the Commission would like to present to the City Council.

311
312
313

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #6: Discussion on Proposed Property Acquisition at 2719 Lexington Avenue

Background

At the February 13, 2018 Finance Commission meeting, the Commission held a brief discussion on the City's proposed plan to acquire the property located at 2719 Lexington Avenue which is immediately north of the main City Hall Campus area.

In support of their decision, a majority of the City Council noted a desire to have the License Center in a city-owned facility, to address some of the City's unmet storage needs, and to better position the City to provide programs or services in the future which may require additional facilities.

During the meeting the Commission made several inquiries associated with the proposed acquisition and had requested the Mayor to attend this month's meeting to follow-up to these inquiries. At the time, Staff noted that the acquisition itself is still pending and as a result, most of the information surrounding the acquisition is not yet public. The Mayor subsequently submitted an email dated February 15, 2018 to the Commission to provide added background and context to the purchase and to reiterate the private nature of the information given the status of the acquisition.

While this is unlikely to answer all of the Commission's questions, I have compiled some information that hopefully will address some of them.

General Comments

The City and property owner (Gaughan Companies) have agreed to a purchase price of \$2.3 million with a tentative closing date of March 30 for the 2719 Lexington Avenue site. While it's true that the Ramsey County Assessor's Office has assigned a 2018 estimated market value of \$1,950,700 for this property, this is in fact an *estimate* derived from available data that is at least one year old. It does not necessarily reflect current market conditions or recent sale data for comparable properties.

Under the purchase agreement, Gaughan Companies will also retain a one-year plus one-year renewable option to purchase the former fire station site at 2501 Fairview Avenue for future redevelopment at a cost of \$867,000. The City will retain the water tower site portion of this property along with easements on multiple sides of the property.

For 2018, the 2719 Lexington Avenue property is slated to pay \$10,071 in City Taxes (\$70,620 to all taxing jurisdictions). These figures will drop by approximately 50% in 2019 if the City takes possession because half of the building will be used for governmental purposes and is therefore exempt from property taxes. This will not result in lower tax collections however. It simply means that roughly \$5,000 in city taxes will be re-distributed to other properties including the Fairview Fire Station property if it's used for non-public purposes.

Property Acquisition and Operational Financing

A number of questions were asked regarding the financing of the acquisition and on-going operational costs. It's recognized that not all of the associated costs are known at this time, however in the short-term the City intends to rely on existing tenant income as well as surplus monies from the License Center to pay for these costs. A long-term financing plan is not likely to be developed for quite some time, but bond financing may be required for the initial acquisition and any near-term capital improvements.

Staff Recommendation

Not applicable.

Requested Commission Action

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

Prepared by: Chris Miller, Finance Director
Attachments: A: Not applicable.

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #7: Review 2017 Cash Reserve Balances

Background

The following information contains a preliminary (unaudited) summary of the City's *unrestricted* cash reserve balances. The final audited figures are expected to be complete by April 6, 2018, with a formal presentation before the Council scheduled for May 7, 2018.

For this presentation, the figures exclude funds that are held for *legally-restricted* purposes or cash donations which are pledged for a specific purpose. Also excluded are cash reserves designated for capital replacements which allows us to arrive at the amounts available for future operational, or day-to-day use as well as one-time initiatives.

The Council-adopted Operating Fund Cash Reserve Policy calls for the following cash reserve targeted amounts:

<u>Operating Funds</u>	Target <u>Low</u>	Target <u>High</u>
General (unrestricted portion)	35%	45%
Parks & Recreation	25%	25%
Communications	10%	25%
Information Technology	10%	25%
License Center	10%	25%

The following table provides a summary of the 12/31/17 cash reserve levels as defined above:

	12/31/2016	2017	Less Amount For	12/31/2017	12/31/2017	12/31/2017 Amount Above Low Target %
<u>Operating Funds</u>	<u>Cash</u>	<u>Surplus</u>	<u>Donations /</u>	<u>Cash</u>	<u>Reserve</u>	
	<u>Reserves</u>	<u>(Deficit)</u>	<u>Capital</u>	<u>Reserves</u>	<u>Level</u>	
General (unrestricted portion)	\$ 6,646,077	\$(910,949)	(44,100)	\$ 5,691,028	37%	\$ 358,832
Parks & Recreation	1,637,111	324,461	(307,000)	1,654,572	35%	459,315
Communications	436,616	(2,932)	(228,500)	205,184	38%	150,827
Information Technology	1,041,002	89,860	(417,800)	713,062	24%	420,120
License Center	1,172,926	(190,871)	(500,000)	482,055	26%	293,632
				<u>\$ 8,745,900</u>		<u>\$ 1,682,726</u>

As shown in the table, the City has approximately \$1,683,000 in cash reserves above the *low* targeted reserve level. In comparison, cash reserve levels sit approximately \$519,000 above the *mid-range* target, and actually lies \$644,000 below the *high* targeted reserve level.

The amounts set aside for capital generally represent the needs identified in the 2018-2027 CIP. However, an estimate is provided for the License Center pending the City Council's decision on the amount of capital investment to make in the facility.

General Comments

It should be noted that the 2018 Budget calls for the spend-down of cash reserves in the General, Communications, and License Center funds by \$681,000, \$80,000, and \$104,000 respectively (\$865,000 total). Actual results may vary depending on a number of factors but based on current trends, overall cash balances are expected to decline significantly in 2018.

The General Fund deficit in 2017 was originally projected to be \$781,000 but was somewhat higher due to the transfer of one-time TIF surplus monies collected in 2016 to the City's Building Replacement Fund. This transfer was somewhat offset by lower spending.

The License Center deficit in 2017 was originally projected to be \$90,000 but was higher due to architectural design costs associated with facility improvements as well as tenant relocation costs paid to free up additional space for License Center operations.

Staff Recommendation

Not applicable.

Requested Commission Action

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

Prepared by: Chris Miller, Finance Director

Attachments: A: Not applicable.

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #8: Review 2017 Investment Portfolio Performance

Background

The City’s Investment Policy is rooted in industry best practices and has been modified to accommodate the limited resources available to manage the City’s investment portfolio. This limitation necessitates the use of relatively simple investment strategies that require only a nominal amount of time.

These limitations, accompanied by statutory restrictions on the types of investments we can participate in, will constrain the portfolio’s investment performance. As a result, the Policy calls for the portfolio’s investment performance to equate to, at a minimum, the U.S. Government Bond (Treasuries) Yield for the comparable investment period. In other words, if our general investment horizon is five years, then our portfolio yield should be equal to or greater than the five-year Treasury rate over the long term.

The following table depicts the City’s investment portfolio performance over the past five years:

City of Roseville Investment Portfolio Performance						
		Average		Var. + / -		Var. + / -
	Portfolio	Portfolio	10-Year	10-Year	5-Year	5-Year
<u>Year</u>	<u>Earnings</u>	<u>Term (yrs.)</u>	<u>Treasury</u>	<u>Treasury</u>	<u>Treasury</u>	<u>Treasury</u>
2013	3.30%	12.4	3.00%	0.30%	1.74%	1.56%
2014	3.43%	11.0	2.11%	1.32%	1.61%	1.81%
2015	2.88%	9.8	2.27%	0.61%	1.76%	1.12%
2016	2.61%	9.8	2.45%	0.17%	1.93%	0.68%
2017	2.69%	10.5	2.41%	0.28%	2.21%	0.48%
Note: As measured on December 31st						

Currently, the City’s current investment portfolio (excluding monies set aside for short-term cash flow needs) has an average term of 10.5 years earning 2.69%. This is 0.28% or 28 basis points *higher* than the 10-year portfolio target. As a reminder, this represents a snapshot-in-time as measured on 12/31/17.

The City’s investment portfolio performance relative to the benchmark can vary from year to year in conjunction with changing economic factors including interest rate changes. It will also fluctuate as the makeup of the portfolio itself changes.

Staff Recommendation

Not applicable.

Requested Commission Action

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

Prepared by: Chris Miller, Finance Director
Attachments: A: Not applicable.

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: March 13, 2018
Re: Item #9: Consider Selecting a Commission Chair, Vice-Chair, and a Representative to serve on the City's Ethics Commission as needed.

Background

City Code Chapter 201.06 requires the Finance Commission to annually select a Chair, Vice-Chair to perform on-going duties; and a representative to serve on the City's Ethics Commission as needed. The Chair and Vice-Chair positions carry the same decision-making privileges as all other members, but they do have some additional administrative duties.

The Chair position is expected to run the Commission meetings. This includes recognizing members before they speak, ensuring the discussions stay on task and are conducted in a timely fashion, and allowing the public an appropriate amount of time to participate. The Vice-Chair assumes all duties of the Chair in their absence. The current appointments are as follows:

- Chair: Robin Schroeder
- Vice-Chair: Pete Zeller
- Representative to Ethics Commission: Ed Hodder

It should be noted that there are no limits when it comes to the length of service members can serve in these capacities. Advisory Commission Chairs and Vice-Chairs often remain in their roles for more than one year to preserve continuity from one year to the next. However, the Commission may also find value in working within varying leadership styles and approaches over time.

Staff Recommendation

By separate motion, Staff recommends the Commission select a Chair, Vice-Chair, and representative to the Ethics Commission for the period April 1, 2017 through March 31, 2018.

Requested Commission Action

Consider Electing a Chair, Vice-Chair, and representative to the Ethics Commission for the period April 1, 2017 through March 31, 2018.

Prepared by: Chris Miller, Finance Director
Attachments: A: N/A

Roseville Finance Commission

2018 Meeting Topics & Calendar

Month	Discussion Topic
January 9	<ul style="list-style-type: none"> ▪ Continue discussion on creating a Cash Reserve fund <i>(30 mins.)</i> ▪ Discussion on funding utility infrastructure via property taxes <i>(30 mins.)</i>
February 13	<ul style="list-style-type: none"> ▪ Continue discussion on funding utility infrastructure via property taxes <i>(30 mins.)</i> ▪
March 13	<ul style="list-style-type: none"> ▪ Select Chair, Vice-Chair, and Ethics Commission Representative <i>(10 mins.)</i> ▪ Review 2017 Investment Portfolio performance <i>(15 mins.)</i> ▪ Review 2017 preliminary year-end cash reserve levels <i>(20 mins.)</i>
April 10	<ul style="list-style-type: none"> ▪ ▪
May 8	<ul style="list-style-type: none"> ▪ 2019-2038 Capital Improvement Plan review #1 of 2 <i>(45 mins.)</i> ▪
June 12	<ul style="list-style-type: none"> ▪ 2019-2038 Capital Improvement Plan review #2 of 2 <i>(45 mins.)</i> ▪ Review 2017 Audit Reports <i>(20 mins.)</i> ▪
July 10	<ul style="list-style-type: none"> ▪ Discuss Items for Joint City Council-Commission Meeting <i>(20 mins.)</i> ▪
August 16	<ul style="list-style-type: none"> ▪ Cash Reserve Policy Review ▪
September 11	<ul style="list-style-type: none"> ▪ Discuss 2019 City Manager Recommended Budget <i>(30 mins.)</i> ▪ Consider recommendation on the 2019 Tax Levy <i>(30 mins.)</i>
October 9	<ul style="list-style-type: none"> ▪ Update on the Council-adopted 2019 preliminary Budget & Tax Levy <i>(30 mins.)</i> ▪ Review 2019 proposed water & sewer rates <i>(20 mins.)</i>
November 13	<ul style="list-style-type: none"> ▪ ▪
December 11	<ul style="list-style-type: none"> ▪ Adopt 2019 Meeting Calendar <i>(10 mins.)</i> ▪ Adopt 2019 Work Plan <i>(15 mins.)</i>