

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: November 15, 2022
Re: Item #3: Approve the Minutes from the October 11, 2022 Meetings

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 October 11, 2022 meeting. The Commission is asked to review the minutes and identify any typos, errors or inaccuracies of the discussion that took place.

Where applicable, Commission members are asked to identify any necessary corrections at the meeting. The Commission should subsequently vote to approve the amended (if necessary) minutes. Once the minutes are approved, they become part of the City's permanent records.

Staff Recommendation

Review the draft minutes.

Requested Commission Action

Amend (as necessary) and approve the Finance Commission meeting minutes for the October 11, 2022 meeting.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Draft Minutes from the October 11, 2022 Finance Commission Meeting

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**Finance Commission
Meeting Minutes
DRAFT – October 11, 2022 - DRAFT**

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: Siafa Barclay, Bruce Bester, Wanda Davies, John Murray, Dan Sagisser and Sadiq Dahir

Commissioners Absent: Sandra Klein-Hegge

Staff Present: Finance Director Michelle Pietrick

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 indicated Commissioner Klein-Hegge had a change on line 251. She actually stated the amount to be 120.00, not 1,200.00.

Ms. Pietrick indicated Commissioner Klein-Hegge did actually say 1,200.00 but wanted to clarify that she meant 120.00.

Commissioner Murray moved, seconded by Commissioner Dahir to approve the September 13, 2022 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester updated the Commission on the Tracking report to date.

Utility Rate Study Presentation and Proposed Utility Rates

Finance Director Pietrick stated the City hired Ehlers to do an update on the water and storm water funds to make sure the new tiered rate that was approved for the water fund was working correctly and also to look at the City's sanitary sewer fund. As part of the update, it was

47 discovered that there was a glitch in the financial software and the tiered rates were incorrect.
48 For residential and commercial accounts the users were billed for the water used but were billed
49 at the lowest tier rate. The glitch has been fixed and staff is analyzing the amounts that were not
50 billed in 2021-2022 under the tiered rates. Only residents that used more than fifteen thousand
51 gallons would have been under billed.

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53 Commissioner Bester noted Mayor Roe has an excellent conversation on NextDoor to put this
54 into some perspective.

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56 Ms. Pietrick indicated the City put an insert into the bills that just went out trying to explain the
57 tiered rates that were approved by the Council in case people noticed their bills were different
58 than previous quarters.

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60 Chair Davies asked when staff found the error and started billing correctly.

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62 Ms. Pietrick explained it was in mid-September when the error was found.

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64 Chair Davies indicated the bills are in arrears so she asked if the bill that came out in September
65 was correct.

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67 Ms. Pietrick indicated that was correct. She explained the City bills through September 30th and
68 those bills started showing up in mailboxes on Saturday of this week. The bill would be for July-
69 September water usage.

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71 Vice Chair Sagisser asked what percentage of people actually were affected.

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73 Ms. Pietrick explained that is what staff and Ehlers are trying to analyze. She noted the
74 apartment buildings were not affected by this error.

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76 Chair Davies asked over what time period was this error.

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78 Ms. Pietrick indicated the new tier rates were in effect January 1, 2021, approximately one and
79 half years.

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81 Ms. Jeanne Vogt and Ms. Stacie Kvilvang, Ehlers were at the meeting and reviewed the updated
82 Utility Rate Study with the Commission.

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84 Chair Davies asked if the storm water charge based on the footage on the road or the acreage of
85 the property. She wondered what the charge is based on.

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87 An Ehlers representative indicated that residential properties all receive the same fee. Currently it
88 is \$15.12 per quarter. For commercial and other properties it is based on acreage.

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90 Commissioner Murray asked if an allowance was made for commercial with a lot of parking area
91 versus green space.

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An Ehlers representative explained pervious and impervious areas are taken into consideration for that calculation as well for commercial.

Commissioner Murray asked how this is taken into consideration.

An Ehlers representative explained there is a formula for that, for how commercial is calculated.

Ehlers representatives continued with the presentation.

Commissioner Bester thought the water fund was pretty straight forward with a nine percent increase from St. Paul that drives it for an eight percent increase for the City. He thought that made perfect sense. He noted he was also fine with the sanitary sewer fund. The storm drainage fund he did have some questions on. He indicated when the Commission first looked at the Capital Improvement Projects they went up and doubled overall from what the Commission looked at last year. He indicated they doubled over the twenty-year period from what was presented the previous year. He noted this was a big increase and he was not sure that he was left with a lot of comfort as to what was driving that need to increase the spending by one million dollars.

Ms. Pietrick reviewed what has happened since the Commission discussed the Capital Improvement Plan. She noted Public Works Department and the Finance Department have been collaborating on identifying the prioritization of projects in all of these funds. The Public Works Department did back off significantly on the next two years' worth of storm water projects, however, at some point the City is going to have to start investing in that aging infrastructure in replacing or repairing it and while this curtails the next two years, 2023-2024, to those known projects that are being worked on. The outlying years are still at the two-million-dollar level because the age of that infrastructure is reaching near the end of its life and the City needs to start planning for it. Staff does look at the Capital Improvement Plan every year so Public Works may have to curtail some of those outlying years until the City builds its reserves up. If the City does not start building its reserves the City will never be able to afford those projects. Bonding is recommended but she did not know if the City will necessarily do that but at some point the City probably will have to.

Commissioner Murray asked if there were any software recommendations to avoid problems in billing like the City previously had.

Ms. Pietrick explained the Finance Department currently issued an RFP for new financial software, which includes the water billing. Staff also identified some additional procedures that have been put in place going forward to verify accuracy of utility rates.

Commissioner Barclay asked if the water rates in Roseville were still lower than surrounding cities.

136 An Ehlers representative reviewed the comparable community chart and indicated Roseville is
137 solidly in the middle to upper compared to surrounding communities. She noted the chart is
138 based on 2022 rates, and the 2023 rates are not available yet for the comparable cities.

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140 Chair Davies indicated some residents think that the City should let St. Paul take care of all of
141 this because it would be much cheaper and that gets into the complicated factors of assessments.

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143 Ms. Pietrick indicated that would involve additional staffing as well as it would get into the issue
144 of capacity of St. Paul Regional Water and St. Paul currently does not have the capacity to take
145 on the capacity of Roseville. Also, local control would be lost so if there is a watermain break
146 she did not know what the response rate would be because now the City can get their staff out to
147 a break right away to fix it. The City has looked at this several times previously and the decision
148 was to remain separate.

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150 Ms. Pietrick reviewed with the Commission estimated impact on a single-family home that
151 utilizes twelve thousand gallons of water and eleven thousand gallons of sewer consumption. She
152 indicated for 2023, utilizing the recommended rates versus the 2022, there would be an increase
153 of \$13.61 per quarter for the water, sewer, storm water and the recycle fund. The recycling fund
154 calculation was included in the packet and based on the City's contract and in 2022 the City
155 Council did approve doing marginal increases to pay for carts at the end of the contract. She
156 noted the marginal increase is approximately \$44,000. She noted the Commission could make a
157 recommendation to the City Council if it chooses to.

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159 Commissioner Murray explained he would prefer to defer any decision until the Commission
160 knows what the numbers are on the under billing.

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162 Chair Davies thought the City Council would be making a decision before the Commission has
163 another meeting so if the Commission wants any input, this is the time to do it. She indicated the
164 Commission could make a recommendation. She explained to defer it until there is complete
165 knowledge of the total amount means that the Commission does not make a recommendation.

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167 Commissioner Bester made a motion to recommend recovering the under billings for the year
168 2022.

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170 Commissioner Dahir recommended in the motion to leave out the residential and only
171 recommend the recovery of billings for commercial properties and see what the numbers show
172 for the residential properties.

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174 Commissioner Bester withdrew his motion in order for discussion to continue.

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176 The Commission discussed the Ehlers recommendation that was previously made in 2021 for
177 both residential and commercial properties and it was noted that the Council did not make the
178 recommendation to increase the commercial water rates. There was also discussion on
179 recovering the billings and possible forgiveness of a portion of the under billing.

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181 Chair Davies thought it made sense to recoup the money from everyone and she suggested the
182 City go back twelve months to recoup most of it. It was noted money cannot be recouped from
183 previous owners of properties.

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185 Chair Davies made a motion, seconded by Commissioner Bester to recommend the City Council
186 recoup the under billing from all affected properties for the previous twelve months and spread it
187 out over the next four quarters. The motion passed unanimously.

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189 Ms. Pietrick asked if the Commission had a recommendation to the Council for the actual utility
190 rates.

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192 Chair Davies explained personally she supported the utility rates as proposed. She thought the
193 City needed to be responsible and build up the reserves.

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195 Commissioner Bester indicated he probably had the most significant reservations but assuming
196 the City gets something to help them understand what is behind this and what drives this.

197
198 Chair Davies thought Public Works did provide the Commission information on their detailed
199 study that fed into this significant increase and it certainly seemed like the department really got
200 into the information and looked at the details and were not ball parking the information.

201
202 Ms. Pietrick agreed.

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204 Commissioner Bester asked regarding recycling, the way the City is billed, it is based on per
205 customer or is it monthly fixed.

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207 Ms. Pietrick indicated it is billed monthly per customer.

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209 Commissioner Bester made a motion, seconded by Commissioner Murray, accepting the Utility
210 Rates as proposed subject to receiving additional information about the background on the storm
211 sewer. The motion passed unanimously.

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213 **Update on the Council Adopted 2023 Preliminary Budget & Tax Levy**

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215 Finance Director Pietrick updated the Commission on the 2023 Preliminary Budget and Tax
216 Levy that the City Council adopted.

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218 The Commission reviewed the preliminary budget and tax levy.

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220 Ms. Pietrick noted this is a work in progress that will be updated until final adoption in
221 December by the City Council. She updated the Commission on other Council decisions that
222 have been made.

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225 **Identify Discussion Items for Future Meetings**

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227 Chair Davies stated the next agenda would include discussions on:

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229 • Adopt 2023 Meeting Calendar

230 • Adopt 2023 Work Plan

231 • Discuss Internal Loan Balance

232 • Discuss Interfund Transfers

233 • Discuss budget numbers compared to Audit numbers

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236 **Adjourn**

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238 Commissioner Sagisser made a motion, seconded by Commissioner Barclay to adjourn. The
239 motion passed unanimously.

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241 Meeting adjourned at 8:00 p.m.