REQUEST FOR COUNCIL ACTION

Date: 9/17/2018
Item No.: 7.a

Department Approval

City Manager Approval

Cttop K. mille

Item Description: Joint Meeting with the Finance Commission

BACKGROUND

Earlier this year, the City established a joint meeting between the City Council and Finance Commission to review the Commission's activities during the past year, to receive any Commission guidance or recommendations, and to identify potential topics for future discussion.

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Since the last joint meeting on March 26, 2018 the Finance Commission has received presentations and held discussions on the following topics:

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- The establishment of a Cash Reserve (Cash Carry-Forward) Fund **
- CIP categorizations & review process **
- Changes in funding strategies for the CIP **
- 2019 City Manager Recommended Budget & Tax Levy **
- 2017 Investment Portfolio performance
- 2017 year-end cash reserve levels.
- 2017 Audit and Annual Financial Report
- Fire Department Phase II Staffing Plan

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** The Finance Commission has developed specific recommendations for Council consideration on the first four items noted above. Those recommendations are detailed below.

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RECOMMENDATION on Establishing a Cash Reserve (Cash Carry-Forward) Fund

The discussion on establishing a Cash Reserve Fund has been an on-going dialogue at the Finance Commission since December of 2016. At the March, 2018 Joint Meeting, the Commission did present a formal recommendation to establish a Cash Reserve (Cash Carryforward) Fund. After some discussion, the Council asked the Commission to review the matter further.

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The Finance Commission now offers these revised recommendations:

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- Establish a Cash Reserve Account comprised of excess cash from the following Funds:
 - 1) General Fund
 - 2) Parks & Recreation Fund
 - 3) Communications
 - 4) Information Technology
 - 5) License Center
- Define excess cash reserves as cash amounts greater than the targeted high reserve

level amounts as specified in the Operating Fund Cash Reserve Policy.

- Modify the Operating Fund Cash Reserve Policy to increase the targeted high reserve amount in the Communications Fund from 25% to 30%; and decrease the targeted high reserve levels in the Information Technology and License Center funds from 25% to 15% to more accurately reflect cash-flow needs throughout the year.
- Consistent with governmental accounting practices, the newly-established cash reserve
 is to be held in the General Fund for financial reporting purposes until it is designated
 for a defined purpose. The money is to be tracked separately from all other General
 Fund activities.

The following table provides a summary of the amounts that would have been considered 'excess' based on these recommendations.

City of Roseville							
2015-2017 Excess Cash Reserve	Calculat	ion					
	Op. 0	Cash			12/31/2015	12/31/2016	12/31/2017
	Resrve	Policy	REV	ISED	Amount	Amount	Amount
	Target	Target	Target	Target	Above High	Above High	Above High
Operating Funds	Low	<u>High</u>	Low	<u>High</u>	Target %	Target %	Target %
General (unrestricted portion)	35%	45%	35%	45%	\$ -	\$ 30,935	\$ -
Parks & Recreation	25%	25%	25%	25%	_	174,675	443,190
Communications	10%	25%	10%	30%	217,471	154,694	-
Information Technology	10%	25%	10%	15%	306,799	186,562	267,454
License Center	10%	25%	10%	15%	712,259	206,863	184,262
					\$ 1,236,529	\$ 753,730	\$ 894,906

It should be noted that the reserve amounts denoted in the table <u>exclude</u> monies that have been set aside for capital replacements as well as donations. The far-right column of the table depicts the amount that would have been swept into the Cash Reserve Account had this policy been in place in 2017.

RECOMMENDATION on Capital Improvement Plan (CIP) Categorizations & Revised Process

Similar to the discussion on the Cash Reserve Fund, this dialogue has also been on-going for an extended period with the Council asking the Commission to again review the matter following the Joint Meeting in March. The Finance Commission recommends that the Council establish <u>new</u> CIP categories accompanied by separate review processes based on the following:

- <u>Category 1</u>: CIP items that are generally routine and can be incorporated into various replacement policies. It would include day-to-day items such as vehicles & equipment that have a fairly consistent useful life.
- <u>Category 2</u>: CIP items that are incorporated into a broader strategic plan or replacement policy. It would include infrastructure identified in the City's Pavement Management Program, Park Improvement Program, or similar long-term planning initiatives.
- <u>Category 3</u>: CIP items that would be considered non-routine or occur on a highly infrequent basis and have a significant budgetary impact. This could include items such as the OVAL refrigeration system replacement or new facilities.

A revised Capital Investment Policy with these proposed revisions is highlighted in yellow in *Attachment*

Page 2 of 4

A. An accompanying PowerPoint presentation depicting the reasons behind the recommended change is included in Attachment B.

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RECOMMENDATION on Changes in Funding Strategies for the CIP

The Commission is recommending the following CIP funding strategies:

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Pavement Management Program

For 2020, re-purpose \$390,000 (out of \$765,000 total) in annual debt levy previously earmarked for the City Hall/PW Building debt service to the Pavement Management Program (*Attachment C*)

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General Facilities Program

- For 2019, re-purpose the \$355,000 in annual debt levy previously earmarked for the Ice Arena debt service to the General Facilities CIP (Attachment D)
- Pursue special legislation for State funding for the planned OVAL improvements

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Park Improvement Program

Beginning in 2020, re-purpose \$375,000 (out of \$765,000 total) in annual debt levy previously earmarked for the City Hall/PW Building debt service to the Park Improvement Program CIP (Attachment E)

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Pathway & Parking Lots

For 2019, consistent with the Policy of Maintaining the Pavement Management Fund as an endowment for street repair, do not transfer funds from the PMP to the Pathways and Parking Lot Fund to pay for unfunded needs

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RECOMMENDATION on the 2019 City Manager Recommended Budget & Tax Levy

After reviewing the 2019 City Manager Recommended Budget & Tax Levy at their August and September meetings. While the Commission has not prepared any specific recommendations, it did author the following statement:

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"Due to the total impact of all governmental units' spending and tax levy decisions, as well as general increasing budgets, the Commission is sensitive to the increased financial stress on residents".

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Finally, consistent with the previous Joint Meeting, the Commission has also submitted their Recommendations Tracking Report which details previous recommendations (thru August) adopted by the Commission that have not yet been fully resolved. The Report is included in *Attachment F*.

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POLICY OBJECTIVE

Not applicable. 114

FINANCIAL IMPACTS 115

116 Not applicable.

STAFF RECOMMENDATION 117

Not applicable.

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REQUESTED COUNCIL ACTION

For information purposes only. No formal Council action is required, however the Finance Commission is appreciative of any guidance the City Council provides.

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Prepared by: Chris Miller, Finance Director

Attachments: A: Capital Investment Policy with Proposed Revisions (See yellow-highlighted items)

B: Communication PowerPoint to the City Council

C: Recommended CIP Funding Strategy: Pavement Management Program
 D: Recommended CIP Funding Strategy: General Facilities Program
 E: Recommended CIP Funding Strategy: Park Improvement Program

F: Finance Commission Tracking Report

Capital Investment Policy

(September 11, 2018 Proposed Revisions)

The purpose of the City's Capital Investment Policy is to ensure future capital improvements, maintenance, and replacements are made when needed, in a manner which is both fiscally and operationally prudent. The goal of this policy is to provide a stable funding mechanism for the City's infrastructure by setting aside specific resources on a periodic basis. This will ease the burden on present and future taxpayers, without significant fluctuations in annual property tax levies.

It is not the intent of the City Council to fund major new facilities, which have not had the original funding established either through tax increment, general taxes, bonding or other such sources. The replacement funds and corresponding fund interest earnings are expected to be only for replacement purposes.

Scope

All departments and City funds are included in the 20-Year Capital Improvement Plan (CIP). The CIP identifies the timing and financing of all capital items.

Policy

- The City will develop a 20-year Plan for capital investments and update it at least every 2 years.
- All capital investments shall be made in accordance with an adopted Capital Improvement Plan.
- The City will coordinate development of the capital improvement budget with development of the operating budget. Future operational costs associated with new capital improvements will be projected and included in operating budget forecasts.
- The City will provide ongoing preventative maintenance and upkeep on all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The City should periodically review and follow industryrecommended replacement schedules for all City capital assets.
- The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Council for approval.
- The City will determine the least costly financing and acquisition method for all new projects.

- For future development or redevelopment proposals that require public infrastructure and/or public financing assistance and/or City support services, a fiscal analysis shall be prepared identifying the project sources and uses. The analysis should also demonstrate the costs and benefits of the project. The cost of this analysis shall be borne by the developer.
- The City will establish departmental Vehicle and Equipment Replacement Funds. The City will appropriate monies to them annually to provide for timely replacement of vehicles and equipment. The amount will be maintained at an amount equal to the proportion of useful life expired multiplied by estimated replacement cost.
- The City will establish a Building Capital Maintenance Fund, and will appropriate funds to it annually to provide for timely maintenance of all buildings supported by general governmental funding. Only maintenance which meets the capitalization threshold shall be paid for out of this fund. Maintenance includes major items such as roof repair and HVAC replacement.
- The City shall establish a Street Infrastructure Replacement Fund to provide for the general replacement of streets and related infrastructure throughout the community. The annual MSA capital allocation, will be included as a part of the source of funds for computing the adequacy of this fund. This fund has been formally categorized by the Council as a permanent fund, whereby the interest proceeds are only used for the stated purpose. The cash reserve amount should remain between \$8-12 million.
- The City shall establish a Park Capital Maintenance Fund to provide for the general replacement of parks and related infrastructure throughout the community. The funding should equal the proportion of useful life expired multiplied by estimated replacement cost for all park system assets.
- Within each enterprise fund, the City shall establish a funding mechanism to provide for the general replacement of related infrastructure throughout the community. The funding should equal the proportion of useful life expired multiplied by estimated replacement cost for all enterprise fund system assets.
- From time to time the City Council shall establish additional replacement funds as the need becomes apparent.
- The Finance Commission will annually oversee and report to the City Council a review and analysis of planned capital investments and related reserve balances. The purpose of such analysis will be to gauge the health and sustainability of City reserves related to capital

investments for the short (1-3 year), medium (4-9 years), and long term (10+ years). It will also take into account related borrowing and repayment costs.

- Capital Replacements should be considered using the following priority guidelines rankings (in order):
 - 1. Projects necessary for public health and safety, or to meet legal mandates.
 - 2. Projects that responsibly maintain existing assets to either extend remaining service life or to create efficiency.
 - 3. Projects that expand existing assets or services in order to benefit the Public Good.
 - 4. Projects that purchase new assets or services in order to benefit the Public Good.
- For purposes of added transparency associated with capital spending decisions, the Capital Improvement Plan (CIP) should include the following designations and review:

	Category 1	Category 2	Category 3
Definition	Items that are incorporated into a replacement policy, and have a fairly consistent useful life	Items that are incorporated into a strategic plan or similar long-term planning initiative	Items that are considered non-routine or purchased on a highly infrequent basis and have a significant financial impact
Policy/Plan Review	City Manager & City Council	City Council or Advisory Commissions	City Council
Purchasing Approval (see comments below)	City Manager up to \$20,000; City Council \$20,000 or greater	City Manager up to \$20,000; City Council \$20,000 or greater	City Manager up to \$20,000; City Council \$20,000 or greater
City Council Responsibility	Review replacement policies annually or as needed	Review Plans or initiatives annually or delegate to Advisory Commissions	Review as needed in conjunction with a standard form providing justification, funding source, and supporting narrative

Purchasing Approval (Comments:					
(a) MN Statute 412.693	l limits the City Manag	ger purchasing authorit	ty to \$20,000 or less			
(b) MN Statute 471.34	5 establishes the follo	wing rules for entering	into contracts:			
<u>Amount</u>	<u>Requirement</u>					
\$25,000 or less	Purchase on open market or obtain at least two quotes					
\$25,000 - \$175,000	Direct negotiation (to or competitive bidding	wo quotes if possible) ng process				
\$175,000 or more	Competitive bidding proces required					

Definitions

Capital assets – Assets which cost \$5,000 or more and have a useful life of two or more years.

Capital Improvement Plan – A comprehensive 20 year outlook itemizing all capital assets and their replacement funding requirements. The plan will take into account useful asset lives and salvage values.

Replacement Cost—In today's dollars, the cost to replace the asset. If it is expected the retired asset will have a salvage value, the estimated salvage value should be deducted from the expected replacement cost.

Asset Life – The number of years which is the asset is in use, also known as the useful life of a capital asset.

Bonding – The amount of debt incurred to obtain capital assets.

Capital Asset Maintenance – Expenditures which protect the City's investment in capital assets and provide for ongoing upkeep.

Equipment – A tangible capital asset which does not qualify as a vehicle, building, street, or park asset. Examples are mowers, tools, etc.

MSA Capital Allocation – Municipal State Aid is money the City receives from the State to help pay for maintenance of MSA-designated streets. MSA streets are collector or arterial streets that interconnect to other cities or major thoroughfares.

Enterprise Fund - A separate accounting and financial reporting mechanism for municipal services for which is 100% fee supported. Examples are Water, Sewer, and Golf Course.

General Governmental Fund – A separate accounting and financial reporting mechanism for spending in which a property tax is generally levied. Examples are police, fire, streets, parks and recreation.

Enterprise Fund System Asset – Assets which support enterprise services such as water, sewer, and golf course.

Park System Asset – All assets within city parks excluding buildings. Examples would be trails, equipment, and courts.

Implementation

The City shall use replacement funds to assist in the replacement of equipment, vehicles, and capital building maintenance. New equipment or buildings are to be funded from new dollars, unless they are designated to replace currently owned assets. Funds may be used up to the amount of the replacement funds set aside for that particular asset. Any additional funding shall be from new sources.

Roseville CIP

Approval Process review Aug 2018

Current Policy / Process - Observations

- Policy is defined such that all CIP transactions should be approved by the council, irrespective of size or nature of expenditure
- Policy stipulates the use of a categorization / prioritization 'scale' that is viewed to be of limited value and is therefore not implemented consistently
- Varying levels of information / justification / business case are applied across different CIP projects and spend areas

Objective For Review / Change

Objectives –

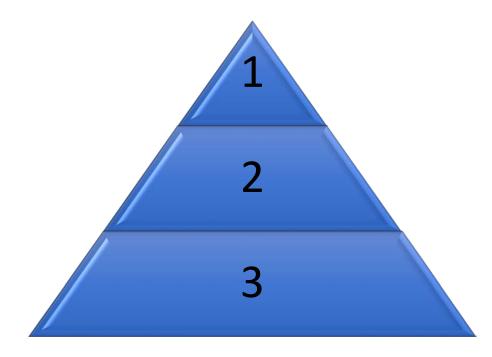
- Adapt the current process such that it allow the council to focus their time and involvement where it add most value by extending the management process around CIP approvals
- Drive consistency of process and documentation across different CIP projects and spend areas to facilitate more effective and visible decision making
- Codify variations within governance process to reflect the differing nature or size of expenditure on a specific CIP project

Proposed framework – NOT ALL SPEND is equal

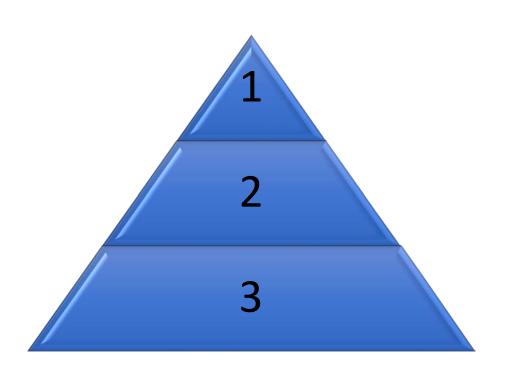
ONE OFF STRATEGIC INVESTMENTS
EG GOLF CLUB, STRIP MALL

PROGRAMMATIC / ONGOING STRATEGIC INVESTMENTS
EG IT INFR / APPS, ROADWAY, PARKS

PROGRAMMATIC / ONGOING TACTICAL INVESTMENTS
EG IT DESKTOP, POLICE VEHICLES



Proposed framework



Transaction Volume

GOVERNANCE

LOW

EVENT

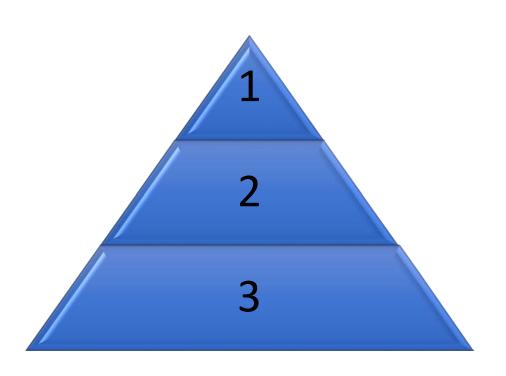
MEDIUM

STRATEGY

HIGH

POLICY

Proposed role of council



APPROVE THE EVENT.

FULL BUSINESS CASE REVIEW USING STANDARDIZED FORMAT, INCLUDING FULL OPERATING COST MODEL FOR AT LEAST 10 YEARS. TRANSACTION SPECIFICALLY APPROVED

APPROVE THE STRATEGY.

Full review and approval of area(s) strategic plan(s) — potentially in conjunction with relevant committee. Quarterly / semi-annual review of spend. Transaction approval delegated to management (potential \$\$\$ limit set which would require escalation to council)

APPROVE THE POLICY.

FULL REVIEW AND APPROVAL OF SPECIFIC REPLACEMENT POLICY(IES). ANNUAL REVIEW OF SPEND. TRANSACTION APPROVAL DELEGATED TO MANAGEMENT (POTENTIAL \$\$\$ LIMIT SET WHICH WOULD REQUIRE ESCALATION TO COUNCIL)

Category 1 – business case format

Fiscal Note Example (to be used for major projects/initiatives)

Department/Division: Water Services

Project/Initiative Title: Booster Station Rehabilitation and Improvements

Total Estimated Cost: \$900,000

Funding Source: Water Fund (Fees)

Annual Operating Budget Impact: N/A

20-Year CIP Cost Impact: [List \$ Impact Here]

<u>Project / Initiative Description:</u>

[Enter information here]

Budget Impacts & Assumptions:

[List impact on revenues, expenditures, staffing levels, etc.; as well as the assumptions behind those impacts]

Location:

[Enter location information here]

Proposed next steps

GAIN COUNCIL AGREEMENT TO PROPOSED APPROACH

CODIFY RESULTANT POLICY FOR APPROVAL (INCLUDING POTENTIAL \$\$ LIMITS THAT FIT OUTSIDE OF DELEGATED AUTHORITIES)

DEFINE DETAILED AREAS OF SPEND THAT FIT INTO CATEGORIES 1/2/3

DEFINE POLICIES FOR CATEGORY 1

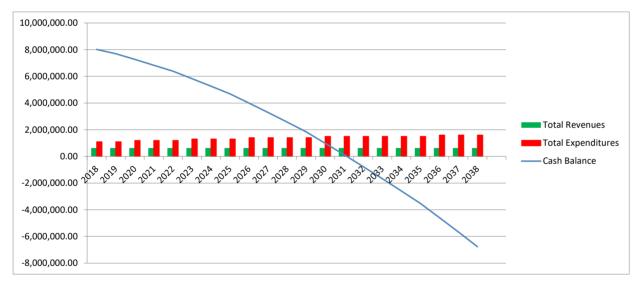
ARTICULATE AND STRATEGIES (AS PART OF ANNUAL BUDGET PROCESS) FOR CATEGORY 2

FINALIZE FORMAT AND PROCESS FOR REVIEW OF 'FISCAL NOTE' FOR CATEGORY 3

Pavement Management Program

Scenario 0 - No action

						Total	Us	se of (Add'n			% Funded by
Year	Add'	l Tax Levy	Total Levy	To	otal Revenues	Expenditures	to	o) Reserves	Earnings	Cash Balance	Tax Levy
2018	\$	-	\$ 630,000	\$	630,000	1,100,000.00	\$	279,120	\$ 190,880	\$ 8,017,753	
2019	\$	-	\$ 630,000	\$	630,000	1,100,000.00	\$	470,000	\$ 150,955	\$ 7,698,708	57.3%
2020	\$	-	\$ 630,000	\$	630,000	1,200,000.00	\$	570,000	\$ 142,574	\$ 7,271,282	52.5%
2021	\$	-	\$ 630,000	\$	630,000	1,200,000.00	\$	570,000	\$ 134,026	\$ 6,835,308	52.5%
2022	\$	-	\$ 630,000	\$	630,000	1,200,000.00	\$	570,000	\$ 125,306	\$ 6,390,614	52.5%
2023	\$	-	\$ 630,000	\$	630,000	1,300,000.00	\$	670,000	\$ 114,412	\$ 5,835,026	48.5%
2024	\$	-	\$ 630,000	\$	630,000	1,300,000.00	\$	670,000	\$ 103,301	\$ 5,268,327	48.5%
2025	\$	-	\$ 630,000	\$	630,000	1,300,000.00	\$	670,000	\$ 91,967	\$ 4,690,293	48.5%
2026	\$	-	\$ 630,000	\$	630,000	1,400,000.00	\$	770,000	\$ 78,406	\$ 3,998,699	45.0%
2027	\$	-	\$ 630,000	\$	630,000	1,400,000.00	\$	770,000	\$ 64,574	\$ 3,293,273	45.0%
2028	\$	-	\$ 630,000	\$	630,000	1,400,000.00	\$	770,000	\$ 50,465	\$ 2,573,739	45.0%
2029	\$	-	\$ 630,000	\$	630,000	1,400,000.00	\$	770,000	\$ 36,075	\$ 1,839,813	45.0%
2030	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ 19,396	\$ 989,210	42.0%
2031	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ 2,384	\$ 121,594	42.0%
2032	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ (14,968)	\$ (763,374)	42.0%
2033	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ (32,667)	\$ (1,666,042)	42.0%
2034	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ (50,721)	\$ (2,586,763)	42.0%
2035	\$	-	\$ 630,000	\$	630,000	1,500,000.00	\$	870,000	\$ (69,135)	\$ (3,525,898)	42.0%
2036	\$	-	\$ 630,000	\$	630,000	1,600,000.00	\$	970,000	\$ (89,918)	\$ (4,585,816)	39.4%
2037	\$	-	\$ 630,000	\$	630,000	1,600,000.00	\$	970,000	\$ (111,116)	\$ (5,666,932)	39.4%
2038	\$	-	\$ 630,000	\$	630,000	1,600,000.00	\$	970,000	\$ (132,739)	\$ (6,769,671)	39.4%



Assumptions:

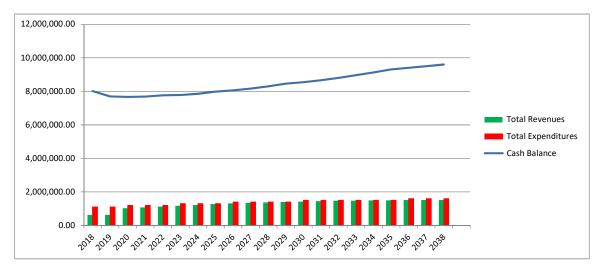
MSA Street improvements have been moved to a separate asset category funded 100% by State-aid dollars Expenditures per Capital Improvement Plan Spreadsheet for Finance Commission Review Reserve Earnings of 2% No additional tax levy

Results: Will need a 970,000.00 levy increase plus inflation starting in 2036 to continue Pavement Mgmt Program 20 year interest earnings of: 803,456.32

Pavement Management Program

Staff Recommendation 2 + continue funding-by-endowment approach

						Total	Us	e of (Add'n			% Funded by Tax
Year	Add	l'I Tax Levy	Total Levy	T	otal Revenues	Expenditures	to) Reserves	Earnings	Cash Balance	Levy
2018	\$	-	\$ 630,000	\$	630,000	1,100,000.00	\$	279,120	\$ 190,880	\$ 8,017,753	
2019	\$	-	\$ 630,000	\$	630,000	1,100,000.00	\$	470,000	\$ 150,955	\$ 7,698,708	57.3%
2020	\$	390,000	\$ 1,020,000	\$	1,020,000	1,200,000.00	\$	180,000	\$ 150,374	\$ 7,669,082	85.0%
2021	\$	50,000	\$ 1,070,000	\$	1,070,000	1,200,000.00	\$	130,000	\$ 150,782	\$ 7,689,864	89.2%
2022	\$	50,000	\$ 1,120,000	\$	1,120,000	1,200,000.00	\$	80,000	\$ 152,197	\$ 7,762,061	93.3%
2023	\$	50,000	\$ 1,170,000	\$	1,170,000	1,300,000.00	\$	130,000	\$ 152,641	\$ 7,784,702	90.0%
2024	\$	50,000	\$ 1,220,000	\$	1,220,000	1,300,000.00	\$	80,000	\$ 154,094	\$ 7,858,796	93.8%
2025	\$	50,000	\$ 1,270,000	\$	1,270,000	1,300,000.00	\$	30,000	\$ 156,576	\$ 7,985,372	97.7%
2026	\$	50,000	\$ 1,320,000	\$	1,320,000	1,400,000.00	\$	80,000	\$ 158,107	\$ 8,063,480	94.3%
2027	\$	25,000	\$ 1,345,000	\$	1,345,000	1,400,000.00	\$	55,000	\$ 160,170	\$ 8,168,649	96.1%
2028	\$	25,000	\$ 1,370,000	\$	1,370,000	1,400,000.00	\$	30,000	\$ 162,773	\$ 8,301,422	97.9%
2029	\$	25,000	\$ 1,395,000	\$	1,395,000	1,400,000.00	\$	5,000	\$ 165,928	\$ 8,462,351	99.6%
2030	\$	25,000	\$ 1,420,000	\$	1,420,000	1,500,000.00	\$	80,000	\$ 167,647	\$ 8,549,998	94.7%
2031	\$	25,000	\$ 1,445,000	\$	1,445,000	1,500,000.00	\$	55,000	\$ 169,900	\$ 8,664,898	96.3%
2032	\$	25,000	\$ 1,470,000	\$	1,470,000	1,500,000.00	\$	30,000	\$ 172,698	\$ 8,807,596	98.0%
2033	\$	10,000	\$ 1,480,000	\$	1,480,000	1,500,000.00	\$	20,000	\$ 175,752	\$ 8,963,348	98.7%
2034	\$	10,000	\$ 1,490,000	\$	1,490,000	1,500,000.00	\$	10,000	\$ 179,067	\$ 9,132,415	99.3%
2035	\$	10,000	\$ 1,500,000	\$	1,500,000	1,500,000.00	\$	-	\$ 182,648	\$ 9,315,063	100.0%
2036	\$	10,000	\$ 1,510,000	\$	1,510,000	1,600,000.00	\$	90,000	\$ 184,501	\$ 9,409,564	94.4%
2037	\$	-	\$ 1,510,000	\$	1,510,000	1,600,000.00	\$	90,000	\$ 186,391	\$ 9,505,955	94.4%
2038	\$	-	\$ 1,510,000	\$	1,510,000	1,600,000.00	\$	90,000	\$ 188,319	\$ 9,604,275	94.4%



Assumptions:

MSA Street improvements have been moved to a separate asset category funded 100% by State-aid dollars Expenditures per Capital Improvement Plan Spreadsheet for Finance Commission Review Reserve Earnings of 2%

Additional Tax Levy increases to continue funding-by-endowment approach

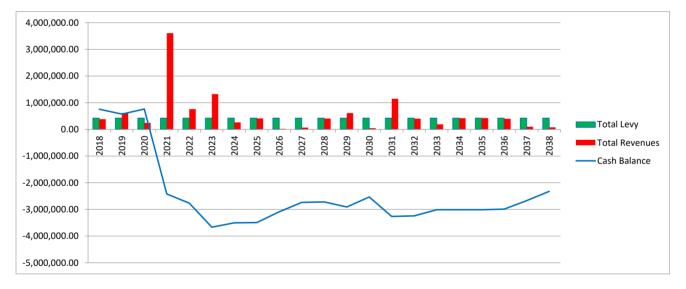
Results: Will need a 90,000.00 levy increase plus inflation starting in 2036 to continue Pavement Mgmt Program

20 year interest earnings of: 3,512,401.56

General Facilities Fund

Scenario 0 - No Action Taken

						Total	Use of (Add'n			% Funded by
Year	Add'l	Tax Levy	Total Levy	Total Revenues	E	xpenditures	to) Reserves	Earnings	Cash Balance	Tax Levy
2018	\$	-	\$ 421,000	421,000	\$	384,000	(51,885.00)	\$ 14,885	\$ 756,078	
2019	\$	-	\$ 421,000	421,000	\$	618,400	197,400.00	\$ 11,174	\$ 569,852	68.1%
2020	\$	-	\$ 421,000	421,000	\$	243,000	(178,000.00)	\$ 14,957	\$ 762,809	173.3%
2021	\$	-	\$ 421,000	421,000	\$	3,608,000	3,187,000.00	\$ -	\$ (2,424,191)	11.7%
2022	\$	-	\$ 421,000	421,000	\$	760,000	339,000.00	\$ -	\$ (2,763,191)	55.4%
2023	\$	-	\$ 421,000	421,000	\$	1,323,300	902,300.00	\$ -	\$ (3,665,491)	31.8%
2024	\$	-	\$ 421,000	421,000	\$	259,000	(162,000.00)	\$ -	\$ (3,503,491)	162.5%
2025	\$	-	\$ 421,000	421,000	\$	409,500	(11,500.00)	\$ -	\$ (3,491,991)	102.8%
2026	\$	-	\$ 421,000	421,000	\$	17,000	(404,000.00)	\$ -	\$ (3,087,991)	2476.5%
2027	\$	-	\$ 421,000	421,000	\$	69,400	(351,600.00)	\$ -	\$ (2,736,391)	606.6%
2028	\$	-	\$ 421,000	421,000	\$	405,500	(15,500.00)	\$ -	\$ (2,720,891)	103.8%
2029	\$	-	\$ 421,000	421,000	\$	610,000	189,000.00	\$ -	\$ (2,909,891)	69.0%
2030	\$	-	\$ 421,000	421,000	\$	45,000	(376,000.00)	\$ -	\$ (2,533,891)	935.6%
2031	\$	-	\$ 421,000	421,000	\$	1,149,900	728,900.00	\$ -	\$ (3,262,791)	36.6%
2032	\$	-	\$ 421,000	421,000	\$	401,000	(20,000.00)	\$ -	\$ (3,242,791)	105.0%
2033	\$	-	\$ 421,000	421,000	\$	190,800	(230,200.00)	\$ -	\$ (3,012,591)	220.6%
2034	\$	-	\$ 421,000	421,000	\$	419,000	(2,000.00)	\$ -	\$ (3,010,591)	100.5%
2035	\$	-	\$ 421,000	421,000	\$	424,500	3,500.00	\$ -	\$ (3,014,091)	99.2%
2036	\$	-	\$ 421,000	421,000	\$	398,000	(23,000.00)	\$ -	\$ (2,991,091)	105.8%
2037	\$	-	\$ 421,000	421,000	\$	101,000	(320,000.00)	\$ -	\$ (2,671,091)	416.8%
2038	\$	-	\$ 421,000	421,000	\$	75,000	(346,000.00)	\$ -	\$ (2,325,091)	561.3%



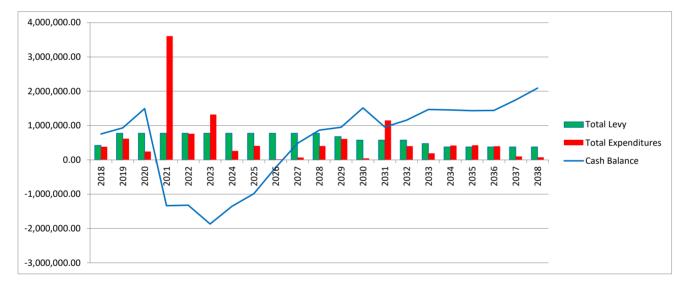
Assumptions:

Reserve Earnings of 2% No Levy increase

General Facilities Fund

Recommendation - Repurpose debt levy

						Total	Use of (Add'n			% Funded by
Year	Add	d'I Tax Levy	Total Levy	Total Revenues	E	xpenditures	to) Reserves	Earnings	Cash Balance	Tax Levy
2018	\$	-	\$ 421,000	421,000	\$	384,000	(51,885.00)	\$ 14,885	\$ 756,078	
2019	\$	355,000	\$ 776,000	776,000	\$	618,400	(157,600.00)	\$ 18,274	\$ 931,952	125.5%
2020	\$	-	\$ 776,000	776,000	\$	243,000	(533,000.00)	\$ 29,299	\$ 1,494,251	319.3%
2021	\$	-	\$ 776,000	776,000	\$	3,608,000	2,832,000.00	\$ -	\$ (1,337,749)	21.5%
2022	\$	-	\$ 776,000	776,000	\$	760,000	(16,000.00)	\$ -	\$ (1,321,749)	102.1%
2023	\$	-	\$ 776,000	776,000	\$	1,323,300	547,300.00	\$ -	\$ (1,869,049)	58.6%
2024	\$	-	\$ 776,000	776,000	\$	259,000	(517,000.00)	\$ -	\$ (1,352,049)	299.6%
2025	\$	-	\$ 776,000	776,000	\$	409,500	(366,500.00)	\$ -	\$ (985,549)	189.5%
2026	\$	-	\$ 776,000	776,000	\$	17,000	(759,000.00)	\$ -	\$ (226,549)	4564.7%
2027	\$	-	\$ 776,000	776,000	\$	69,400	(706,600.00)	\$ -	\$ 480,051	1118.2%
2028	\$	-	\$ 776,000	776,000	\$	405,500	(370,500.00)	\$ 17,011	\$ 867,562	191.4%
2029	\$	(100,000)	\$ 676,000	676,000	\$	610,000	(66,000.00)	\$ 18,671	\$ 952,233	110.8%
2030	\$	(100,000)	\$ 576,000	576,000	\$	45,000	(531,000.00)	\$ 29,665	\$ 1,512,897	1280.0%
2031	\$	-	\$ 576,000	576,000	\$	1,149,900	573,900.00	\$ 18,780	\$ 957,777	50.1%
2032	\$	-	\$ 576,000	576,000	\$	401,000	(175,000.00)	\$ 22,656	\$ 1,155,433	143.6%
2033	\$	(100,000)	\$ 476,000	476,000	\$	190,800	(285,200.00)	\$ 28,813	\$ 1,469,446	249.5%
2034	\$	(100,000)	\$ 376,000	376,000	\$	419,000	43,000.00	\$ 28,529	\$ 1,454,975	89.7%
2035	\$	-	\$ 376,000	376,000	\$	424,500	48,500.00	\$ 28,129	\$ 1,434,604	88.6%
2036	\$	-	\$ 376,000	376,000	\$	398,000	22,000.00	\$ 28,252	\$ 1,440,856	94.5%
2037	\$	-	\$ 376,000	376,000	\$	101,000	(275,000.00)	\$ 34,317	\$ 1,750,173	372.3%
2038	\$	-	\$ 376,000	376,000	\$	75,000	(301,000.00)	\$ 41,023	\$ 2,092,197	501.3%



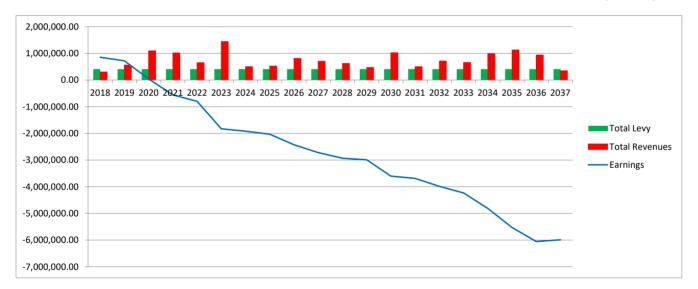
Assumptions:

Reserve Earnings of 2% Repurpose debt levy in 2019 Redirect money in future years as fund stabilizes

Parks Improvement Program

Scenario 0 - No action taken

							Total	Use of (Add'n			% Funded by
Year	Add'l	Tax Levy	Total Levy	To	otal Revenues	E	xpenditures	to) Reserves	Earnings	Cash Balance	Tax Levy
2018	\$	-	\$ 410,000	\$	410,000	\$	300,000	(110,000.00)	\$ 880	\$ 851,050	
2019	\$	-	\$ 410,000	\$	410,000	\$	556,500	146,500.00	\$ 14,091	\$ 718,641	73.7%
2020	\$	-	\$ 410,000	\$	410,000	\$	1,090,880	680,880.00	\$ 755	\$ 38,516	37.6%
2021	\$	-	\$ 410,000	\$	410,000	\$	1,010,000	600,000.00	\$ -	\$ (561,484)	40.6%
2022	\$	-	\$ 410,000	\$	410,000	\$	648,000	238,000.00	\$ -	\$ (799,484)	63.3%
2023	\$	-	\$ 410,000	\$	410,000	\$	1,441,500	1,031,500.00	\$ -	\$ (1,830,984)	28.4%
2024	\$	-	\$ 410,000	\$	410,000	\$	500,000	90,000.00	\$ -	\$ (1,920,984)	82.0%
2025	\$	-	\$ 410,000	\$	410,000	\$	519,070	109,070.00	\$ -	\$ (2,030,054)	79.0%
2026	\$	-	\$ 410,000	\$	410,000	\$	810,000	400,000.00	\$ -	\$ (2,430,054)	50.6%
2027	\$	-	\$ 410,000	\$	410,000	\$	700,000	290,000.00	\$ -	\$ (2,720,054)	58.6%
2028	\$	-	\$ 410,000	\$	410,000	\$	620,000	210,000.00	\$ -	\$ (2,930,054)	66.1%
2029	\$	-	\$ 410,000	\$	410,000	\$	468,500	58,500.00	\$ -	\$ (2,988,554)	87.5%
2030	\$	-	\$ 410,000	\$	410,000	\$	1,022,500	612,500.00	\$ -	\$ (3,601,054)	40.1%
2031	\$	-	\$ 410,000	\$	410,000	\$	496,670	86,670.00	\$ -	\$ (3,687,724)	82.5%
2032	\$	-	\$ 410,000	\$	410,000	\$	708,000	298,000.00	\$ -	\$ (3,985,724)	57.9%
2033	\$	-	\$ 410,000	\$	410,000	\$	657,500	247,500.00	\$ -	\$ (4,233,224)	62.4%
2034	\$	-	\$ 410,000	\$	410,000	\$	990,000	580,000.00	\$ -	\$ (4,813,224)	41.4%
2035	\$	-	\$ 410,000	\$	410,000	\$	1,125,000	715,000.00	\$ -	\$ (5,528,224)	36.4%
2036	\$	-	\$ 410,000	\$	410,000	\$	935,000	525,000.00	\$ -	\$ (6,053,224)	43.9%
2037	\$	-	\$ 410,000	\$	410,000	\$	345,000	-	\$ -	\$ (5,988,224)	118.8%
2038	\$	-	\$ 410,000	\$	410,000	\$	345,000	-	\$ -	\$ (5,923,224)	118.8%



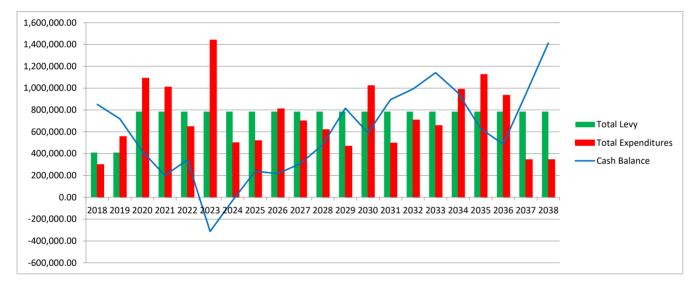
Assumptions:

Reserve Earnings of 2% No Levy increase

Parks Improvement Program

Recommendation - Repurpose debt in 2020

							Total	Use of (Add'n			% Funded by
Year	Add	l'I Tax Levy	Total Levy	To	otal Revenues	E	xpenditures	to) Reserves	Earnings	Cash Balance	Tax Levy
2018	\$	-	\$ 410,000	\$	410,000	\$	300,000	(110,000.00)	\$ 880	\$ 851,050	
2019	\$	-	\$ 410,000	\$	410,000	\$	556,500	146,500.00	\$ 14,091	\$ 718,641	73.7%
2020	\$	375,000	\$ 785,000	\$	785,000	\$	1,090,880	305,880.00	\$ 8,255	\$ 421,016	72.0%
2021	\$	-	\$ 785,000	\$	785,000	\$	1,010,000	225,000.00	\$ 3,920	\$ 199,937	77.7%
2022	\$	-	\$ 785,000	\$	785,000	\$	648,000	-	\$ 6,739	\$ 343,675	121.1%
2023	\$	-	\$ 785,000	\$	785,000	\$	1,441,500	656,500.00	\$ -	\$ (312,825)	54.5%
2024	\$	-	\$ 785,000	\$	785,000	\$	500,000	-	\$ -	\$ (27,825)	157.0%
2025	\$	-	\$ 785,000	\$	785,000	\$	519,070	-	\$ -	\$ 238,105	151.2%
2026	\$	-	\$ 785,000	\$	785,000	\$	810,000	25,000.00	\$ 4,262	\$ 217,367	96.9%
2027	\$	-	\$ 785,000	\$	785,000	\$	700,000	-	\$ 6,047	\$ 308,415	112.1%
2028	\$	-	\$ 785,000	\$	785,000	\$	620,000	-	\$ 9,468	\$ 482,883	126.6%
2029	\$	-	\$ 785,000	\$	785,000	\$	468,500	-	\$ 15,988	\$ 815,371	167.6%
2030	\$	-	\$ 785,000	\$	785,000	\$	1,022,500	237,500.00	\$ 11,557	\$ 589,428	76.8%
2031	\$	-	\$ 785,000	\$	785,000	\$	496,670	-	\$ 17,555	\$ 895,313	158.1%
2032	\$	-	\$ 785,000	\$	785,000	\$	708,000	-	\$ 19,446	\$ 991,760	110.9%
2033	\$	-	\$ 785,000	\$	785,000	\$	657,500	-	\$ 22,385	\$ 1,141,645	119.4%
2034	\$	-	\$ 785,000	\$	785,000	\$	990,000	205,000.00	\$ 18,733	\$ 955,378	79.3%
2035	\$	-	\$ 785,000	\$	785,000	\$	1,125,000	340,000.00	\$ 12,308	\$ 627,685	69.8%
2036	\$	-	\$ 785,000	\$	785,000	\$	935,000	150,000.00	\$ 9,554	\$ 487,239	84.0%
2037	\$	-	\$ 785,000	\$	785,000	\$	345,000	-	\$ 18,545	\$ 945,784	227.5%
2038	\$	-	\$ 785,000	\$	785,000	\$	345,000	-	\$ 27,716	\$ 1,413,499	227.5%



Assumptions:

Reserve Earnings of 2%

2020 levy increase is a repurpose of bond issuance #27

Roseville Finance Commission Recommendation Tracking Tool

		Date			
No.	Recommendation	Recommended	Date Presented	Status	Discussion and Next Steps
2017-8	Priority Ranking Implementation	12/12/2017	3/26/2018	Received - Further Development	Council received recommendation and directed Commission to further refine the ranking list with special consideration on how to handle new vs. existing items.
2018-1	Utility Base Rates	1/9/2018	3/26/2018	Received	No further action at this time. Public Works Commission also reviewing issue and Council will formally decide at that time.
2018-2	Cash Reserve Fund	2/13/2018	3/26/2018	Received - Further Development	Council received recommendation and directed Commission to further refine the logistics of separating Capital expenses from funds and resetting reserve balances. Will reassess remaining aspects of recommendation after this step is completed.
2018-4	2019 CIP Recommendation	6/12/2018	Planned 9/17/2018		

Roseville Finance Commission Recommendation Tracking Tool

No.	Recommendation	Description
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.
2018-1	Utility Base Rates	Recommend no change to utility base rates, specifically moving infrastructure spending to property tax.
2018-2	Cash Reserve Fund	Recommend establishing a Cash Reserve Fund to consolidate all unrestricted funds that are not derived from donations or earmarked for capital replacements.
2018-4	2019 CIP Recommendation	 General Facilities - Repurpose \$335k of expiring debt in 2019. Lobby Legislature for State funds for OVAL. Park Improvement - No action in 2019. Plan on repurposing \$375k of expiring debt in 2020 Pavement Management - No Action in 2019. Repurpose remaining debt (\$390k) in 2020. Additional funds as needed in future to ensure health of endowment per the Capital Investment Policy. Pathways and Parking Lot - Persuant to the policy of the Pavement Management fund as an endowment for street repair, do not transfer from PMP to the Pathways program.

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 Implemented	Recommendation has been rejected by the City Council and will not move further Recommendation has been accepted by the City Council and action has been implemented
Rescinded	Recommendation has been rescinded by the Finance Commission
Received - Closed	Recommendation has been received by the City Council but has not received a formal reply or action and will be considered closed from future updates tracking.
Received - Further Development	Recommendation has been received by the City Council and returned to the Commission for modifications or furthur development.