

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: April 9, 2019
Re: Item #3: Approve the Minutes from the March 12, 2019 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 March 12, 2019 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 March 12, 2019 meeting.

Prepared by: Chris Miller, Finance Director
Attachments: A: Draft Minutes from the March 12, 2019 Finance Commission Meeting

1
2
3
4
5
6
7

**Finance Commission
Meeting Minutes
DRAFT – March 12, 2019 - DRAFT**

8
9
10

Roll Call/Announcements

11
12
13

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

14
15
16

Commissioners Present: Robin Schroeder, John Bachhuber, Edwin Hodder, John Murray, and Jack Reif

17
18
19

Commissioners Absent: Matt Harold, Malcolm McRoberts

20
21
22

Staff Present: Finance Director Chris Miller

23
24
25
26

Finance Director Miller stated the City Council interviewed Commission applicants. One did apply and then dropped out with one coming in later who was told it was past the deadline. He noted there are still two open vacancies for the Commission, no one interviewed, and the Council will be discussing this at the March 25th Council meeting.

27
28
29

Mr. Miller stated on March 18th the City Council will be discussing the recommendation the Commission brought forth regarding the creation of a Cash Carry-Forward Cash Reserve Fund.

30
31
32

Mr. Miller stated on February 25th the City Council authorized up to three million dollars of public finance or business subsidy to a company called Colder Products who was looking at Twin Lakes. This is a TIF assistance and not to exceed amount.

33
34
35
36
37
38
39
40
41
42
43
44
45
46

Receive Public Comments

Mr. Vince Trevato, 2250 Victoria Street, stated he had a couple of comments based on the last Finance Commission meeting. He stated he was pleased the Commission is addressing the TIF issue because he was not sure that all the due diligence that should have taken place with the Colder Company has been done. As an example, one of the commentaries from the City Council meeting was that it was unlikely that anyone would take over that space in the foreseeable future and using that logic, the Council decided to accept the current level of property taxes for the next ten years which does not make any kind of logical sense because not only does the City not gain anything on taxes but resources that the City needs to pay for, Police, Fire and other resources and roads increase as a result of that. The City loses by incenting a company, which is a thirteen-billion-dollar company whose CEO earned thirty million dollars in 2018. Meanwhile the City does not have enough money to pay for the police and fires. He thought it was really important that TIF is looked at in every instance because of the very large numbers that is being dealt with.

47 Mr. Trevato noted in the minutes the company was spelled Kohler and should be Colder.

48

49 Mr. Trevato stated in regard to the IT Recovery, the IT charges to other cities seem to be based
50 on personnel costs and some equipment costs but he did not see anything in terms of facility
51 overhead or administrative overhead. He thought it made sense for the City to charge a market
52 rate in addition to all of the other charges for Administrative costs, for HR costs and for the
53 Facility costs. It should all be built into the charges as well. He stated if the costs are being
54 included it was indicated in the PowerPoint distributed for the meeting.

55

56 Commissioner Murray asked if the TIF District was specifically for pollution abatement or for
57 some specific reason the company gave the City.

58

59 Mr. Trevato was not sure but thought the general comment was to prepare the site in some
60 respects, but he did not know how the exact number were arrived at.

61

62 Commissioner Murray stated it was his understand that the City was doing TIF Districts
63 primarily to do pollution abatement.

64

65 Mr. Trevato thought that is a burden that should be absorbed by the owner rather than the City.
66 He stated in addition to that the City Council made some promises but legally he was not sure
67 that the City is fully obligated because there is a TIF District 21 that is proposed and is still
68 subject to a public hearing as well so he thought the decision could be reversed. He felt this was
69 a poor decision that was made.

70

71

72 **Approval of Meeting Minutes**

73

74 Chair Schroeder asked if there were changes.

75

76 Commissioner Murry stated line 251 should be changed to: “Commissioner Murray”.

77

78 Commissioner Reif asked if the word revealing on line 114 should be reviewing.

79

80 Chair Schroeder thought the entire sentence should be reworded. She stated the sentence should
81 read “Chair Schroeder stated the number in the packet was not overwhelming but enough to be
82 looked at.”

83

84 Chair Schroeder stated lines 122-124 should be changed to: “Chair Schroeder thought the only
85 time that came up was when the Commission was caught by surprise when looking at the
86 endowment fund.”

87

88 Chair Schroeder stated line 83 should be changed to: “Chair Schroder asked if there were any
89 changes to the December 11th meeting.”

90

91 Chair Schroeder stated line 152 should be changed to: “changes”.

92
93 Mr. Miller stated line 70 should be changed to: “Colder”.

94
95 Commissioner Bachhuber moved, seconded by Commissioner Reif to approve the February 12,
96 2019 meeting minutes as amended. **The motion carried unanimously.**

97
98
99 **Receive Finance Commission Recommendations Tracking Report**

100
101 Tabled to next meeting due to Commissioner Harold’s absence.

102
103
104 **Receive Overview of the City’s Information Technology Function**

105
106 Finance Director Miller stated in October 2017, the Finance Commission received a general
107 overview of the City’s Information Technology function, which focused on the function’s
108 business model and financial results. Recently, the Commission requested a supplemental
109 overview to gain greater insight on the City’s IT operational policies and procedures.

110
111 Mr. Terre Heiser, IT Manager, made a presentation to the Commission on the IT Business Model
112 history and how it has evolved.

113
114 Commissioner Bachhuber stated during the Public Comment section, there was a question
115 around covering overhead and he asked for more information on the annual operating charges
116 and if it includes overhead as part of the load.

117
118 Mr. Heiser stated at this time the City has not had any operating costs that are associated with
119 Finance or HR.

120
121 Commissioner Bachhuber asked if the City is charges for facilities based on, for example, a
122 cubicle costs per year.

123
124 Mr. Heiser stated the City does not, with the twenty staff, the City cannot staff everyone, at least
125 ten of the staff is offsite. On the opposing side, those cities do not charge back into the group for
126 their space either. He thought a lot of it is by design.

127
128 Commissioner Bachhuber asked if the other Municipalities and Government Agencies pretty
129 accepting of what Mr. Heiser determines for Common Good Services or is there a lot of time
130 spent negotiating on how things are going to work and taking orders and requests. He wondered
131 how it is decided what kind of service is going to be offered.

132
133 Mr. Heiser stated he thought the Group had the advantage in that the agencies in themselves can
134 become very small such as Gem Lake, which is the smallest agency in the group with one full
135 time employee and 400 residents. He thought to that point the residents look to Roseville and its
136 staff for that type of direction. Issues are tried to be worked out at the meetings.

137
138 Commissioner Murray asked where the off-site people work.
139
140 Mr. Heiser stated some of the people work at different City Hall's, rotating around the different
141 cities to handle emergencies if needed.
142
143 Mr. Miller stated even though the employees are off-site, at different locations, the employee is
144 still connected to the same network domain.
145
146 Mr. Heiser continued with his presentation on cost sharing – personnel and core services along
147 with recoverables.
148
149 Mr. Miller stated the recoverables charges are costs being shared among the thirty-three different
150 agencies. He stated it would be a different conversation if the City had to secure the network
151 with just local dollars as opposed to having a regional sharing supporting that same exact
152 network. While there is some direct savings the City has on the cost savings, there are also some
153 indirect pieces that come into play where the likelihood of the City having the robust defense
154 systems for the City's networks might be entirely different if the City were a stand-alone
155 function. He stated the alternative would be to have the complex systems in place but bear all of
156 the costs locally and would be before the City Council on a regular basis asking for more money.
157 This way the City can distribute the costs a little more over a larger service area.
158
159 Commissioner Bachhuber wondered if a lot of the costs are not billed on a per user basis, the
160 costs are more fixed or is the City able to negotiate a lower per user rate because it is spread over
161 a larger base of users.
162
163 Mr. Heiser stated for things that are associated with a client license, the group will see favorable
164 pricing. He stated the size of the organization will allow favorable pricing on enterprise
165 applications.
166
167 Mr. Heiser continued with his presentation on cost sharing of capital – software and hardware.
168
169 Commissioner Bachhuber asked for more information on security awareness.
170
171 Mr. Heiser explained how the organization teaches security awareness. He continued his
172 presentation on active directory authenticated services and centralized data centers with the
173 Commission.
174
175 Commissioner Reif asked if the organization has detected many attempts to try to hack into the
176 system by outsiders.
177
178 Mr. Heiser indicated the organization has. A couple of years ago there were many attempts to
179 get into the system. He noted people would be surprised at the number of attempts hackers try to
180 get through comcast connections. He stated the organization keeps active maintenance on

181 everything within the system and continuously updates the firewalls of the system. He stated
182 that even a home user has troubles.

183
184 Ms. Cynthia White, 2489 Churchill Street, asked if Mr. Heiser also managed the computerization
185 of the water towers.

186
187 Mr. Heiser stated the organization indirectly manages them. Water towers would be a part of the
188 AMR System. The primary support of that is the contracts of the utility department would have.
189 His organization would support whatever client software that is needed to access that including
190 the security of that.

191
192 Chair Schroeder thought the presentation was very enlightening and answered all of her
193 questions.

194
195

196 **Continue Discussion on CIP Review Process**

197
198 Finance Director Miller stated at the February meeting the Commission continued its discussion
199 on potential changes to the Capital Improvement Plan (CIP) review process. The Commission
200 affirmed its interest in creating new evaluation procedures for higher-cost, asset additions valued
201 at \$500,000 or greater and higher-cost asset replacements valued at \$500,000 or greater that
202 feature substantial changes from their original size, functionality or purpose.

203
204 Mr. Miller stated the Commission also recommended adding a look-back procedure that would
205 determine whether the asset additions/replacement as defined produced the expected outcome.

206
207 Commissioner Reif thought the look back was a good idea as a way to learn from previous
208 estimates so as the City goes forward everything can be taken into consideration and learn from
209 past estimates where things might have been missed.

210
211 Chair Schroeder agreed.

212
213 Commissioner Bachhuber stated he liked looking at the sample in the neighborhood park
214 buildings, he liked the approach that is in the information. He thought having the percentage of
215 over/under helps to frame it. In general, he thought this was directionally correct and a good
216 way to look at it. He thought having the net cost is important and understanding the operating
217 cost assumptions.

218
219 Chair Schroeder agreed and thought having the example in the information will help because
220 theoretically a look-back could be put in, but it is an example and the Council can look at it to
221 figure out what is being shown to them, so it is not misinterpreted.

222
223 Mr. Miller stated the look-back might have a different look depending on the initiative, project,
224 or whatever it might be.

225

226 Commissioner Hodder stated he liked it because sometimes it is needed to see the application of
227 how the concept would work.

228

229 Chair Schroeder agreed and still supported putting the guidelines in.

230

231 Mr. Miller indicated he left the guidelines in as well. He noted this will go before the City
232 Council on March 25th for the Commission to review with them.

233

234 Commissioner Bachhuber moved, seconded by Commissioner Reif to propose the Capital
235 Investment Policy as Amended in the documents, including the example on how the City would
236 see it interpreted in the look-back. **The motion carried unanimously.**

237

238

239 **Consider Selecting a Chair, Vice-Chair, and Representative to the Ethics Commission**

240

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

246

247 Finance Director Miller indicated Commissioner Schroeder is currently Chair, Commissioner
248 McRoberts is currently Vice-Chair and Commissioner Harold is currently the Ethics
249 Commission representative.

250

251 Chair Schroeder wondered if the Commission wanted to table this item until next month when all
252 of the Commissioners will be at the meeting.

253

254 The Commission agreed to table this item.

255

256

257 **Review 2018 Investment Portfolio Performance**

258

259 Finance Director Miller stated the City's Investment Policy is rooted in industry best practices
260 and has been modified to accommodate the limited resources available to manage the City's
261 investment portfolio. This limitation necessitates the use of relatively simple investment
262 strategies that require only a nominal amount of time.

263

264 Mr. Miller reviewed the investment portfolio performance and policy with the Commission.

265

266 Commissioner Bachhuber asked Mr. Miller to review the thinking behind the fact that the
267 average duration has increased by two years from 2016 to 2018, given how flat the yield curve is
268 right now.

269

270 Mr. Miller stated this is not due to the investment strategies, the City has gone shorter in some of
271 the terms in recent years but what has changed is the City has had to sell off some of its
272 investments earlier that had some shorter maturities and to create some additional cash flow for
273 some Capital Investments that were made which were not part of the cashflow forecast.

274
275 Chair Schroeder asked for clarification as to why the paragraph shows a different interest rate
276 then the chart.

277
278 Mr. Miller stated the rate should be 2.93 percent. He noted this was a typo.

279
280 Commissioner Murray asked how much of a paper loss did the City take.

281
282 Mr. Miller stated in the past year the paper loss was \$114,000 for 2018, only if the City sells it.

283
284 Commissioner Bachhuber asked if the realized loss of \$43,000 included in the portfolio earnings
285 as displayed.

286
287 Mr. Miller stated it is not shown here, it is shown in the public financial statements when the
288 City actually shows the realized gains and losses.

289
290 Mr. Miller noted the policy was last updated in 2015 and is part of the packet. He was not sure
291 any changes needed to be made because the policy is meeting the City needs as written.

292
293

294 **Review Discussion Topics for the Joint City Council-Finance Commission Meeting on**
295 **March 25, 2019**

296
297 Finance Director Miller stated a joint Commission Council meeting will be held on March 25,
298 2019 to discuss changes in finding strategies for the CIP, 2019 City Manager recommended
299 Budget & Tax levy, establishing a Cash Reserve (Cash-Carry-Forward) Fund and changes in the
300 Capital Improvement Program (CIP) Review Process.

301
302 Chair Schroeder thought the topics listed were good to discuss with the City Council.

303
304

305 **Identify Discussion Items for the Future Meetings**

306

307 Chair Schroeder stated the next agenda would include discussions on the appointment of Chair
308 and Vice Chair along with the Cash Reserve Levels discussion and reviewing the Joint Council
309 meeting.

310
311 Commissioner Murray stated he has been working on the Investment Policy and State changes
312 and he would like to make a presentation on that.

313

314 Commissioner Hodder stated he would like to have a discussion on the TIF Policy for the City.

315
316 Mr. Miller stated there is going to be a presentation on March 18th at the EDA meeting regarding
317 the TIF Policy and thought that might be the best introduction to future conversations.

318
319 Chair Schroeder thanked everyone for working with her while she has been on the Board and
320 wished everyone luck and to reach out to her if needed. She stated she has enjoyed being on the
321 Commission.

322
323 Commissioner Bachhuber echoed Chair Schroeder's comments. He thought the Commission has
324 made great strides over the last several years and looked forward to seeing how this group helps
325 the City make its decisions.

326

327

328 **Adjourn**

329

330 Commissioner Murray made a motion, seconded by Commissioner Reif to adjourn. **The motion**
331 **passed unanimously.**

332

333 Meeting adjourned at 8:12 p.m.

334