

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: August 13, 2019
Re: Item #9: Identify Discussion Topics for the September 16, 2019 Joint Meeting with the City Council

Background

Earlier this year, the City Council scheduled a joint City Council-Finance Commission meeting for Monday, September 16, 2019. The purpose of the joint meeting is to receive the Commission's recommendation on the following:

- 1) Establishing a Policy for the use of monies held in the Cash Reserve Fund (*per 3/18/19 Council directive*)
- 2) Cash reserve target levels for the Parks & Recreation Operating Fund (*per 3/18/19 Council directive*)
- 3) Alternative Investment Options
- 4) Changes in funding strategies for the 2020-2039 CIP
- 5) Use of the newly-established Cash Reserve Fund to provide monies for the EAB Program (*per 6/17/19 Council directive*)
- 6) The 2020 City Manager recommended budget & tax levy

The Commission's adopted recommendations to-date are highlighted separately below.

Establishing a Policy to Guide the Use of the Cash Reserve Fund

Per the City Council's directive on 3/18/19, the Finance Commission held a discussion on establishing a policy to guide the use of the Cash Reserve Fund at its May 14, 2019 meeting. The following points of emphasis were noted during the discussion:

- Prior unsuccessful attempts by the Finance Commission to encourage the Council to adopt funding priorities or guidelines associated with capital spending.
- Whether the implementation section of the Operating Fund Cash Reserve Policy was sufficient to provide general guidance.

With regard to the second bulleted point, the implementation section reads as follows:

If aggregate unrestricted reserves in the tax-supported operating funds are outside of targeted goals, the Council is advised to create a plan to get reserves into targeted goal ranges by committing reserve funds, using aggregate excess reserves to reduce the levy, or making appropriate budget or tax levy adjustments.

At the conclusion of the discussion, the Commission determined that the language in the implementation section provided sufficient guidance. However, it was noted that it might be appropriate to revisit the discussion further if the Council was looking for something more specific.

A copy of the excerpted minutes from the 5/14/19 discussion is included in *Attachment A*.

Cash Reserve Target Levels for the Parks & Recreation Operating Fund

Per the City Council's directive on 3/18/19, the Finance Commission held a discussion on revising the cash reserve target levels for the Parks & Recreation Operating Fund at its May 14, 2019 meeting. The following points of emphasis were noted during the discussion:

- The Fund's month-to-month cash flows for the past five years including a composite average that showed a range of cash levels from 12% to 27%.
- The identification of non-property tax revenues.
- The types of personnel and other fixed costs that are prevalent throughout the calendar year.

At the conclusion of the discussion, the Commission recommended that the City Council revise the cash reserve target level for the Parks & Recreation Operating Fund from a fixed 25% to a range of 15-25%. The range would make it more consistent with the city's other key operating funds.

A copy of the excerpted minutes from the 5/14/19 discussion is included in *Attachment B*.

Consider Alternative Investment Options

The Finance Commission held a discussion on alternative investment options for available cash reserves at its May 14 and June 11, 2019 meetings. The new options were available for selected cities (which currently includes Roseville). The following points of emphasis were noted during the discussions:

- The City historically has had a significant amount of investments that are not necessarily needed for day-to-day operations
- Interest rates remain near historic lows and are likely to continue for the foreseeable future; resulting in lower rates of returns as a result.
- A recent law change allows the City of Roseville to invest a portion of its available cash into equity (stock market) investments.
- These investment opportunities may produce greater non-tax revenues than the City's current investment strategy.

At the conclusion of the discussion, the Commission recommended that the City Council consider investing a portion of its investment portfolio with the State Board of Investment or a separate Index Fund.

A copy of the excerpted minutes from the 5/14/19 and June 11, 2019 (draft) discussions are included in *Attachment C*.

Changes in Funding Strategies for the 2020-2039 CIP

As part of the Finance Commission’s primary duties, it reviewed a draft version of the Capital Improvement Plan (CIP) at the Commission’s May and June meetings. Staff’s recommended funding strategies for 2020 included the following:

- For 2020, re-purpose the expiring \$765,000 City Hall/Maintenance Facility bond Levy to the Park Improvement (\$375K) & Pavement Management Programs (\$390K).
- For 2020, combine the Golf Course capital needs into the broader General Facilities and Parks & Recreation Vehicle & Equipment Funds. Over time, this measure will require additional tax levy dollars, but not until 2021 or later.
- For 2020, adjust the base rates for the water, sanitary sewer, and storm sewer as needed to accommodate planned capital replacements. A more specific recommendation will be forthcoming after the annual utility rate analysis is complete in the fall.
- For 2020, re-purpose \$50,000 in annual tax levy from the IT Capital fund to operations. This is due to the diminished reliance on city-purchased hardware in favor of third-party managed solutions that have proven to be effective at a lower cost.
- To ensure that the Communications and License Center’s capital needs are adequately funded, a strategic review should be made to ensure dedicated revenues are sufficient to meet both capital and operational needs.

At the conclusion of June discussion, the Commission did not set forth a specific recommendation. However, if it intends to offer one, it is advised to adopt it by a formal vote at this meeting.

A copy of the excerpted minutes from the 5/14/19 and 6/11/19 (draft) discussions are included in *Attachment D*.

Use of Cash Reserve Fund to provide monies for the EAB Program

[Recommendation Pending: See Item #6 on the 8/13/19 Agenda]

If the Commission intends to submit a recommendation to the Council at the joint September meeting, it is encouraged to adopt the recommendation by a formal vote at this meeting.

2020 City Manager Recommended Budget & Tax Levy

[Recommendation Pending: See Item #8 on the 8/13/19 Agenda]

If the Commission intends to submit a recommendation to the Council at the joint September meeting, it is encouraged to adopt the recommendation by a formal vote at this meeting.

It is suggested that the Commission affirm the topics of discussion and any associated recommendations to present at the joint September 16, 2019 meeting.

Staff Recommendation

Not applicable.

Requested Commission Action

Finalize discussion topics and prepare recommendations for City Council consideration at the Joint City Council-Finance Commission meeting on 9/16/19.

Prepared by: Chris Miller, Finance Director

- Attachments:
- A: Selected Minutes from the 5/14/19 Finance Commission meeting regarding the discussion on establishing a Cash Reserve Fund Policy.
 - B: Selected Minutes from the 5/14/19 Finance Commission meeting regarding the discussion on cash reserve target levels for the Parks & Recreation Operating Fund.
 - C: Selected Minutes from the 5/14/19 and 6/11/19 Finance Commission meeting regarding the discussion on alternative investment options.
 - D: Selected Minutes from the 5/14/19 and 6/11/19 Finance Commission meeting regarding the discussion on the 2020-2039 CIP.

Commissioner Murray moved, seconded by Commissioner McRoberts to revise the Cash Reserve Target Level for the Parks & Recreation Fund to a range of fifteen to twenty-five percent. **The motion carried unanimously.**

Commissioner Murray asked if the Parks Commission had a chance to review this and make a recommendation.

Mr. Miller stated the Parks Commission has not taken an action on it but has started discussion.

Consider Establishing a Policy for the Cash Reserve (Carry-Forward) Fund

Finance Director Miller stated at the March 18, 2019 City Council meeting; the Council chose to transfer excess cash reserves in selected funds to a separate Cash Reserve Fund as recommended by the Finance Commission. The total amount transferred to the Reserve Fund was \$885,000, however \$456,000 is needed to meet minimum cash reserve target levels in the General Fund at this time. After taking this action, the Council subsequently directed the Finance Commission to consider whether the City should establish a Cash Reserve Fund Policy to provide guidance on future contributions as well as how monies being held in the Reserve Fund would be used.

Commissioner McRoberts stated the last time the Finance Commission talked about what to do with this, the guidance given by the Council was that it was their prerogative and essentially the Finance Commission should stay out of it. He did not know if anything changed but that is one of the reasons why the Commission deliberately left it be.

Commissioner Murray stated it occurred to him that the Council could, in addition to reducing the levy and making appropriate budget or tax adjustments, reduce their internal borrowing and pay things back.

Commissioner McRoberts reviewed from his recollection the previous discussion between the City Council and Commission regarding this.

Commissioner Murray stated he did not see, at this time, a lot wrong with the paragraph in the Policy Implementation section.

Commissioner Reif agreed but going back and looking at the minutes from the March 18th City Council meeting, Mayor Roe did suggest that the Council discuss creating a cash carry forward policy to match some of the other policies and might be a task to revert back to the Finance Commission. The Mayor did suggest that but to Commissioner McRoberts point the Council is the final decider.

Commissioner McRoberts asked Mr. Miller if the Commission should provide guidance as to how the funds should be spent or was the question that wording in this policy does not really give any indication as to prioritization or anything like that.

Mr. Miller stated when the City Council gave this direction to the Finance Commission at the March 18th meeting, this policy was not in front of the Council and is possible the Council knew about it, but this was not necessarily in front of the Council to prompt them. He was not sure the Council was reacting to the highlighted paragraph in the implementation section of the policy.

Commissioner McRoberts stated from his point of view he would turn it back and state it did not seem inadequate given the review of the Finance Commission. If the Council wants the Commission to try to put specific prioritization or other things on there that is fine but not traditionally something the Finance Commission has been involved in.

Commissioner McRoberts thought this item should go back to the City Council asking for clarification.

Mr. Miller stated the City is kind of in new territory since this is the first time the City has had this cash reserve fund and the first time there has been money in the cash reserve fund. He thought the Council was trying to see if the Finance Commission had something else in mind when the recommendation was made to create the fund. Was there anything else the Finance Commission wanted to give to the City Council in terms of guidance or was it just the mechanism of creating this transparent pot of money, so everyone knows what is available.

Commissioner McRoberts thought it was also, at the time, making sure that because each individual fund used to traditionally hold its own access or deficit, there was no way for the City Council to see overall how much was available there fore by at least putting into one swept pot the decision would be able to be made should it go down to pay off some debt or reducing some levy and that was at least publicly available information. That decision would be held in the aggregate rather than by fund. That is where the whole conversation really started.

Commissioner Lee asked if there are any other advantages to the fund. Is it used for any short-term investments or is it held together as a numerical total fund.

Mr. Miller stated all of the money is invested one way or another. Funds are pooled for investment purposes but on paper the money is designated into separate funds. For management purposes the City creates a lot of different pots of money which is a foreign concept to a lot of people.

Commissioner Sagisser asked if this is an accounting practice to track how things are done and adjust for transparency or is there an issue around restricted funds that leads to this.

Mr. Miller showed a chart showing the funds being discussed and stated the Commission is only talking about unrestricted funds so if there are any funds that are legally restricted then those funds are not in play.

Commissioner Murray asked if it would be appropriate to go back to the Council asking if there was anything that needed to be added to the paragraph or something else the City Council wants from the Finance Commission.

Mr. Miller stated that would be fine. The next scheduled joint meeting with the City Council is in September but have other items to work on so the Commission could leave it for the time being.

Review the DRAFT 2020-2039 Capital Improvement Plan

Finance Director Miller stated the Finance Commission is asked to review the Draft 2020-2039 Capital Improvement Plan.

Mr. Miller reviewed the 2020-2039 CIP for the new Commissioners.

Mr. Miller reviewed with the Commission the analysis of Asset Replacement Funds; Property tax supported.

Commissioner Sagisser asked if there were extra maintenance costs that come into play if the OVAL repairs do not get approved for three years.

Mr. Miller stated if the City is not successful with the State, he imagined the City would try again and if still not successful the City would defer some of the capital maintenance, maybe doing some sort of a band-aid type of approach. If it looks like the City will never get State funding for the OVAL for whatever reason, then the Council will have to have a conversation on what the City wants to do whether it be finding the money locally or envision something different.

Mr. Miller continued with the analysis or property tax supported funds.

Commissioner McRoberts stated in the report there is a comment stating the golf course is never going to make any money and it needs to be put into the Parks and Rec. Department. He wondered if that is just delaying the inevitable by putting the golf course into a bigger pot where the costs will get covered.

Mr. Miller stated the brand-new club house the City just built has been moved into the general facilities fund account. He stated because it is a new building, there are not a lot of replacement needs for it. The one thing in the analysis is the maintenance shed.

Commissioner McRoberts stated if the trend seems to be that the attendance is dropping and therefore finding someone private to run it, is it something that should be looked at while there are still assets that do not require maintenance.

Mr. Miller stated the Council entertained conversations along those lines before the decision was made to replace the club house. The City made a 3.2 million investment in a brand new club house and prior to doing that the City entertained discussion on where the golf industry was going and are there alternatives the City might want to use with that site and in the end the City did not want to envision or consider something other than a Municipal Golf Course and the

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Mr. Miller stated Commissioner McRoberts has been a wonderful contributor for the last three years to the group and a unique perspective on some things with some unique qualities brought to the Finance Commission and will be missed.

Mr. Miller reviewed his role with the Finance Commission and City and his Governmental work history.

Consider Revising the Cash Reserve Target Levels for the Parks & Recreation Fund

Finance Director Miller stated at the March 18, 2019 City Council meeting, the Council directed the Finance Commission (and Parks Commission) to review the cash reserve target levels identified in the City's Operating Fund Cash Reserve Policy for the Parks & Recreation Fund. The Finance Commission briefly discussed this at the April meeting but was held over for continued discussion along with a request for more historical cash-flow analysis on the Fund.

Mr. Miller noted Commissioner Hodder suggested a range of ten to twenty-five percent based on the historical performance was appropriate.

Commissioner McRoberts indicated that when looking at the sheet with each year on there, 2018 was materially more favorable than the others, was that because expenditure was less, or income was higher.

Mr. Miller stated in 2018 the overall cash flow started out higher and stayed higher. This fund has actually been performing pretty well the last couple of years, taking in more revenues than expenses. This fund started off in a better cash position than previous years and that's why it finished in November in a much higher spot than other funds.

Commissioner McRoberts thought if the composite only applied to 2017 and 2018, he thought a different answer would be shown than if the comp. was applied to all five years. He wondered if 2017 and 2018 being better was sustainable because if it is it drives a slightly different view in percentages then it would if going back to 2014 or 2015.

Mr. Miller thought in 2017 and 2018 the City is in pretty good economic times with regard to the participation levels in the Parks and Recreation programs and certainly helped bring a lot of stability in the 2017 and 2018 fiscal years. During an economic downturn it might be a little less.

Commissioner Sagisser asked if there were other sources of income property taxes, like registration fees.

Mr. Miller stated the City calls them program fees and is where participants are coming forward wanting to be in different programs that the Parks and Recreation system offers in the City.

Commissioner Sagisser asked if Mr. Miller had to ballpark the numbers what percentage comes from the program fees and what percentages come from property taxes.

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Mr. Miller stated it is pretty close for the Parks and Recreation fund. He noted it is about fifty-five percent property taxes and forty-five percent program fees. He stated there are some interest earnings in there as well but those are minimal.

Commissioner Lee asked if those programs scalable based off of the revenues coming in on a quick basis or does it take quite a while to turn around those programs that are fee funded as opposed to property tax funded. He stated he did not have a good understanding of this but are these optional expenditures that could be cut.

Mr. Miller stated there are some fixed costs. There are some full-time staff and those costs are incorporated in that. Maintaining the fields and amenities in the parks and recreation system are needed as well and a fixed cost. He noted there are some active and passive areas. Long term there is the opportunity to adjust the expenses but a lot of it is variable costs. The department hires a lot of temporary, seasonal employees in the summer and a few in the Winter. As those program participation levels fluctuate there is the opportunity to adjust some of the cash outflows as well.

Commissioner Reif asked if the golf course is a part of the recreation fund.

Mr. Miller stated the golf course is a separate fund and have historically tracked that separately. This is more related the parks programs.

Commissioner Sagisser asked if the golf course was self-funding.

Mr. Miller stated the golf course is not self-funded, there was a point in time that it was but changes in the golf industry over the last ten to fifteen years is affecting everyone out there. It is still self-funded to the standpoint where it is relying on its cash reserves to provide for operations. There were some discussions about moving the golf operations into the broader Parks and Recreation fund operation because at some point it will not be able to sustain itself.

Commissioner Murray stated if the year ends on an average of twenty-seven percent and it drops to twelve percent by May, wouldn't it indicate not to go below fifteen percent floor.

Mr. Miller stated that is his takeaway from this and thought that was referenced in the staff report. He noted that notation is only if the City wants to stay in the black with this fund each month. If the Commission is not bothered with running in the red for a month and borrowing internally it could be lower. From a financial planning standpoint and creating a sustainable operation he would advocate for staying in the black every month.

Commissioner Sagisser stated he would be interested to see the graphs for 2002 and 2008 because that would be helpful for him to understand where it wanders when there is a recession because if the goal is to stop it from going too much in the red he thought that would be helpful to see.

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Commissioner Reif stated his thoughts were on the same line as Commissioner Murray to follow the staff recommendation of fifteen percent and seemed like a good number to him as the floor.

Commissioner Murray stated looking at the recreation fund, it tends to be fairly consistent year to year.

Mr. Miller stated what the Commission will see is the cash holdings in general were lower. Coming out of the recession this fund has performed pretty well relatively speaking and will probably look a little different during some of the recession years.

Commissioner McRoberts stated 2016, 2017 and 2018 had revenue primarily in June and November and has obviously changed from prior to that which was July and bounced around a bit. He wondered if June and November were still the primary sources of revenue.

Mr. Miller stated there have been some fluctuation when cash is actually collected from the property tax element. The County gives the City some money in May and some in June and sometimes a variation of which months the money is received and the same thing with November and December.

Commissioner McRoberts stated if the expenditure is not available, as it cannot be deferred a month, then going below fifteen percent starts to look a bit iffy because he thought the chart was getting skewed too much by 2018. He thought if the best years and worst years were taken out of the equation the lowest the City would want to go would be fifteen percent. Unless staff feels 2018 is going to be the new norm.

Commissioner Murray asked if the County is turning money over to the City and June and November some sort of legal requirement or is it policy.

Mr. Miller stated that is a legal requirement. He stated the County needs to balance out the property tax money received. Sometimes the County will give the City an advance on the property tax in order to tie out the numbers with the difference being given in June. He stated recent history is a little more reliable indicator of how things are going now.

Commissioner Murray thought a lot of the expenditures from this fund is for personnel and hard to ask people to wait for a paycheck.

Mr. Miller agreed.

Commissioner McRoberts asked if the Commission was suggesting fifteen and twenty-five percent because he thought there was concern that ten percent was too low.

The Commission concurred.

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Commissioner Murray moved, seconded by Commissioner McRoberts to revise the Cash Reserve Target Level for the Parks & Recreation Fund to a range of fifteen to twenty-five percent. **The motion carried unanimously.**

Commissioner Murray asked if the Parks Commission had a chance to review this and make a recommendation.

Mr. Miller stated the Parks Commission has not taken an action on it but has started discussion.

Consider Establishing a Policy for the Cash Reserve (Carry-Forward) Fund

Finance Director Miller stated at the March 18, 2019 City Council meeting; the Council chose to transfer excess cash reserves in selected funds to a separate Cash Reserve Fund as recommended by the Finance Commission. The total amount transferred to the Reserve Fund was \$885,000, however \$456,000 is needed to meet minimum cash reserve target levels in the General Fund at this time. After taking this action, the Council subsequently directed the Finance Commission to consider whether the City should establish a Cash Reserve Fund Policy to provide guidance on future contributions as well as how monies being held in the Reserve Fund would be used.

Commissioner McRoberts stated the last time the Finance Commission talked about what to do with this, the guidance given by the Council was that it was their prerogative and essentially the Finance Commission should stay out of it. He did not know if anything changed but that is one of the reasons why the Commission deliberately left it be.

Commissioner Murray stated it occurred to him that the Council could, in addition to reducing the levy and making appropriate budget or tax adjustments, reduce their internal borrowing and pay things back.

Commissioner McRoberts reviewed from his recollection the previous discussion between the City Council and Commission regarding this.

Commissioner Murray stated he did not see, at this time, a lot wrong with the paragraph in the Policy Implementation section.

Commissioner Reif agreed but going back and looking at the minutes from the March 18th City Council meeting, Mayor Roe did suggest that the Council discuss creating a cash carry forward policy to match some of the other policies and might be a task to revert back to the Finance Commission. The Mayor did suggest that but to Commissioner McRoberts point the Council is the final decider.

Commissioner McRoberts asked Mr. Miller if the Commission should provide guidance as to how the funds should be spent or was the question that wording in this policy does not really give any indication as to prioritization or anything like that.

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Commissioner Reif asked if the City has gotten any monies or has the City asked for any monies from the State for the debacle on the MNLars System.

Mr. Miller stated the City has as have all the other deputy registrars and license centers in the State of Minnesota. There is a bill moving through the Legislature to reimburse with the MNLars debacle and there is broad support on both the Democrats and Republicans in the House and Senate to do that. The City feels pretty good that the money will come back to the City. He stated the figure he saw for Roseville was somewhere in the neighborhood of \$300,000.

Mr. Miller continued with his presentation and showed the Commissioners the funding strategies and impact on homeowners.

Commissioner McRoberts stated he thought the golf course needed to be added into the strategic discussion.

Mr. Miller thought there will be a Council discussion later this year because there are some things the Council will be asked to do to actually roll some of the golf course operation into these other funds.

Commissioner Sagisser asked if there are any cell tower fees that the City gets from the providers.

Mr. Miller stated the City gets about \$450,000 a year and have five towers in the City and right now all of those revenues are dedicated to the City's information technology function. The Staff and some of the supplies needed to support all of the Roseville networks are funded out of that.

Receive Investment Options Presentation from Commissioner Murray

Finance Director Miller stated at the March 12, 2019 Finance Commission meeting; Commissioner Murray indicated a desire to share recent research he had compiled regarding potential new investment options available to the City.

Commissioner Murray presented the Investment Options to the Commission for review and discussion.

Commissioner Lee thought the presentation was very good. He stated he also did something like this with his personal finances. One thing he included in the profile was an increase in the amount he has saved for a critical loss fund in the event there is another recession. He was not sure if that would be something that could be considered to make sure the City has that investment available in case of a large loss due to a recession.

Commissioner Murray stated if running a pension or investment fund or endowment fund it is looked at a little differently that as an individual. It would be looked at longer term. He stated

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that even with investments in treasuries and if interest rates go up, which it looks like they will, money can be lost there as well. That is not totally safe.

Commissioner Reif stated because of the recent law change the City probably has not looked at anything like this in the past.

Mr. Miller stated the City has not because it was not available to them.

Commissioner Murray stated he did call the City of Woodbury and the League of Minnesota Cities at Commissioner Hodder's suggestion to see how those entities are coming out, but he has not received a call back. He thought it was a little too early for them to get any valuable feedback on that and have only done it for a year. He thought if the Council was comfortable with this, he would suggest this is a reasonable thing to do for cash management.

Commissioner McRoberts thought if the Council was given three to four scenarios so the Council can gauge what the risk is.

Mr. Miller stated the Commission probably would give to the Council a worst case scenario so the Council can understand what a future Council are going to have to stomach because a bad year is going to happen and will fall on someone's watch and the elected officials will need to be prepared to take the heat for that.

Commissioner Murray stated the City needs the money. He stated he went back, and inflation adjusted what the per capita income is according to the audit report and what it shows on the chart is going from \$53,515 in 2008 to \$49,785 in 2017 household income. Property taxes, which is where the City gets most of the money comes out of income and it gets increasingly hard to get it out of people who are effectively having less and less income.

Commissioner Lee asked if the inflation adjustment that was done a State trend or is it Roseville.

Commissioner Murray thought it was based on County information, the audit report.

Mr. Miller stated this is household income and there has been very little growth of single-family homes but has been an explosion on multi-family.

Mr. Miller stated the trend is slightly down and the City needs to do something and thought it was an acceptable risk.

Mr. Miller asked if the Commission wanted this item to come back to the next meeting to continue the conversation and refine some of this. He stated Commissioner Murray's point is this is a policy and strategy that should transcend election and is something the City has to determine if it is the best thing to do long term.

Identify Discussion Items for the Future Meeting

314 Commissioner Murray indicated he was disappointed that the City Council did not ask any
315 questions and he noticed the auditors did not come up with any recommendations for the City.
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317 Mr. Miller explained the City Council normally does not ask questions. The auditors did bring
318 some things to the Council's attention, the golf course was one of them, but the scope of the
319 audit is pretty limited to auditing the financial statements as opposed to giving recommendations
320 on making the City fiscally stronger.
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322 Commissioner Reif indicated on page 44 of the report where the footnote is authorized as far as
323 investments and he did not think it included the recent change about additional investment
324 options. He thought that footnote should be changed for next year.
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326 Mr. Miller stated Commissioner Reif was correct but may be the City's investment policy and
327 not the State Statutes. He would double check that.
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329 Chair Hodder asked when Standard and Poor's and Moody's do their review.
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331 Mr. Miller explained right now the City has a AAA rating from both Moody's and Standard and
332 Poor for the bond rating, which is the highest a City can get. Anytime that debt is issued where
333 the City is asking for a credit rating then those are reviewed, and a new report is issued. He
334 noted usually the City does not go to both agencies, usually it is one or the other but if one of the
335 agencies hasn't been asked to issue an opinion on a new debt issue, the companies will do an
336 update. Every two to three years it is looked at regardless of whether the City is issuing debt.
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338

339 **Receive Investment Options Presentation From Commissioner Murray**
340

341 Finance Director Miller stated at the March 12, 2019 Finance Commission meeting;
342 Commissioner Murray indicated a desire to share recent research he had compiled regarding
343 potential new investment options available to the City. The initial information was presented to
344 the Commission at the May 14, 2019 meeting and at the request of the Commission,
345 Commissioner Murray has prepared some supplemental information to present.
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347 Commissioner Murray reviewed the supplemental information with the Commission. He would
348 recommend to the City Council that the City go ahead and do this.
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350 Commissioner Sagisser confirmed he was interested in how the amount of investible money
351 works.
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353 Commissioner Murray noted there is money invested for long term and the State will allow the
354 City to invest up to twenty-five percent of that long-term money into an index fund or with the
355 public investment board.
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357 Commissioner Sagisser thought that was worthy of considering and looked like a decent higher
358 rate of return.

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360 Commissioner Murray indicated the rate of return is good. His cautionary note is if the City
361 were to do this to phase it in a little at a time.
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363 Mr. Miller indicated the City's investment portfolio today is primarily in safer investments, it is
364 not in equities or stocks. There is less risk but also less return on the investment. He noted some
365 cities are taking a look at this and would take a pretty disciplined Council to be very comfortable
366 with losses in one or more years, knowing that longer term this might get the City greater gains.
367 This would have to be an approach that subsequent Council's follow.
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369 Commissioner Sagisser explained his only thought of trying a smaller percentage would be an
370 increased comfort level for the City Council.
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372 Chair Hodder indicated that was his thinking as far as a pilot program to recommend starting out
373 with five percent to figure out where that is going. People would need to understand the risk as
374 well.
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376 Commissioner Murray expressed he would leave it open for the City Council to pick the
377 percentage based on their comfort with risk. As a policy matter, he would recommend going
378 forward with this.
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380 Commissioner Sagisser agreed.
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382 Commissioner Reif agreed and thought the Council should consider it. He tended to be
383 conservative and would start out with a rather modest percentage and give it a couple of years to
384 see what it looks like and let the Council get comfortable with it and assess where it is at to make
385 a decision going forward.
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387 Chair Hodder indicated that was his thinking as well because he was more conservative by
388 nature and lived through the shocks of 2008. Over time investment returns have been more
389 robust.
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391 Commissioner Murray indicated there will be bad years.
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393 Commissioner Sagisser thought it sounds like it might be a great thing to have the finance staff
394 start to look into and something to implement when things are lower.
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396 Commissioner Murray stated the City would not throw the money all in one chunk, it would
397 need to be put in phases.
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399 Commissioner Sagisser made a motion, seconded by Commissioner Murray to recommend the
400 City Council look at this policy and avail themselves of the option of investing City Funds either
401 with the State Investment Board or an Index Fund at a percentage the City Council is
402 comfortable with. **The motion passed unanimously.**
403

Mr. Miller stated that would be fine. The next scheduled joint meeting with the City Council is in September but have other items to work on so the Commission could leave it for the time being.

Review the DRAFT 2020-2039 Capital Improvement Plan

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Commissioner McRoberts stated in the report there is a comment stating the golf course is never going to make any money and it needs to be put into the Parks and Rec. Department. He wondered if that is just delaying the inevitable by putting the golf course into a bigger pot where the costs will get covered.

Mr. Miller stated the brand-new club house the City just built has been moved into the general facilities fund account. He stated because it is a new building, there are not a lot of replacement needs for it. The one thing in the analysis is the maintenance shed.

Commissioner McRoberts stated if the trend seems to be that the attendance is dropping and therefore finding someone private to run it, is it something that should be looked at while there are still assets that do not require maintenance.

Mr. Miller stated the Council entertained conversations along those lines before the decision was made to replace the club house. The City made a 3.2 million investment in a brand new club house and prior to doing that the City entertained discussion on where the golf industry was going and are there alternatives the City might want to use with that site and in the end the City did not want to envision or consider something other than a Municipal Golf Course and the

Council was prepared to use property tax dollars when the decision was made to support it if the need be. He noted that will not be needed in 2020 but starting in 2021 in some level it will be needed. The golf course will survive on its cash reserves for 2019 and probably 2020 but after that it will need some infusion of tax dollars.

Mr. Miller reviewed the analysis of Asset Replacement Funds, fee-supported

Commissioner McRoberts stated when the funding for the strip mall purchase was determined, wasn't it determined it would degrade the License Center funds such that it would be below one hundred percent.

Mr. Miller stated what staff did was give the Council a number to say this is what the City needs to leave behind to sustain the License Center for about ten years and that was a couple of years ago so there is approximately eight years left and then the City needs to start helping fund the License Center. He noted the City used some of the License Center funds to acquire the strip mall, nine hundred thousand dollars cash was used for other purposes not related to the License Center which still left some money to get the License Center by for the next few years until the Council decides what the future of the License Center and the strip mall is.

Mr. Miller reviewed the Funding Strategies and Impacts on Homeowners with the Commission. He noted the following strategies have not been discussed with the City Council yet.

Funding Strategy #1: PIP & PMP Programs

For 2020, re-purpose the expiring \$765,000 City Hall/Maintenance Facility bond Levy to the Park Improvement & Pavement Management Programs.

Funding Strategy #2: Golf Course

For 2020, combine the Golf Course capital needs into the broader General Facilities and Park & Recreation Vehicle & Equipment Funds. Over time, this measure will require additional tax levy dollars, but not until 2021 or later.

Funding Strategy #3: Utility Rate Adjustments

For 2020, adjust the base rates for the water, sanitary sewer, and storm sewer as needed to accommodate planned capital replacement. A more specific recommendation will be forthcoming after the annual utility rate analysis is complete in the fall.

Funding Strategy #4: Information Technology

For 2020, re-purpose \$50,000 in annual tax levy from the IT Capital fund to operations. This is due to the diminished reliance on city-purchased hardware in favor of third-party managed solutions that have proven to be effective at a lower cost.

Funding Strategy #5: Communications & License Center Review

To ensure that the Communications and License Center's capital needs are adequately funded, a strategic review should be made to ensure dedicated revenues are sufficient to meet both capital and operational needs.

Commissioner Reif asked if the City has gotten any monies or has the City asked for any monies from the State for the debacle on the MNLars System.

Mr. Miller stated the City has as have all the other deputy registrars and license centers in the State of Minnesota. There is a bill moving through the Legislature to reimburse with the MNLars debacle and there is broad support on both the Democrats and Republicans in the House and Senate to do that. The City feels pretty good that the money will come back to the City. He stated the figure he saw for Roseville was somewhere in the neighborhood of \$300,000.

Mr. Miller continued with his presentation and showed the Commissioners the funding strategies and impact on homeowners.

Commissioner McRoberts stated he thought the golf course needed to be added into the strategic discussion.

Mr. Miller thought there will be a Council discussion later this year because there are some things the Council will be asked to do to actually roll some of the golf course operation into these other funds.

Commissioner Sagisser asked if there are any cell tower fees that the City gets from the providers.

Mr. Miller stated the City gets about \$450,000 a year and have five towers in the City and right now all of those revenues are dedicated to the City's information technology function. The Staff and some of the supplies needed to support all of the Roseville networks are funded out of that.

Receive Investment Options Presentation from Commissioner Murray

Finance Director Miller stated at the March 12, 2019 Finance Commission meeting; Commissioner Murray indicated a desire to share recent research he had compiled regarding potential new investment options available to the City.

Commissioner Murray presented the Investment Options to the Commission for review and discussion.

Commissioner Lee thought the presentation was very good. He stated he also did something like this with his personal finances. One thing he included in the profile was an increase in the amount he has saved for a critical loss fund in the event there is another recession. He was not sure if that would be something that could be considered to make sure the City has that investment available in case of a large loss due to a recession.

Commissioner Murray stated if running a pension or investment fund or endowment fund it is looked at a little differently that as an individual. It would be looked at longer term. He stated

47 other sources of...”, Line 184 the sentence should read “Commissioner Lee asked if those
48 programs are scalable...”. Line 274 the sentence should be amended to read “Mr. Miller stated
49 the Parks Commission has not taken an action on it but have started discussion.”. Line 507 the
50 sentence should be changed to “Mr. Miller stated the Commission probably would ~~to~~ give to the
51 Council...”. Line 516 the word “do” should be replaced with “get”. Line 525 “Commissioner”
52 should be replaced with “Mr.”

53
54 Commissioner Reif moved, seconded by Commissioner Sagisser to approve the May 14, 2019
55 meeting minutes as amended. **The motion carried unanimously.**

56
57

58 **Receive Finance Commission Recommendations Tracking Report**

59
60 Finance Director Miller reviewed the Finance Commission changes made since the last meeting.

61
62

63 **Select a Commission Chair**

64

65 Finance Director Miller stated the Finance Commission needs to select a Chair based on City
66 Code Chapter 201.06. He asked the Commission to discuss and elect a Chair of the
67 Commission.

68

69 Commissioner Murray nominated Commissioner Hodder as Chair of the Finance Commission.

70

71 Commissioner Murray moved, seconded by Commissioner Reif to appoint Commissioner
72 Hodder as Chair of the Finance Commission. **The motion carried unanimously.**

73

74

75 **Review the DRAFT 2020-2039 Capital Improvement Plan**

76

77 Finance Director Miller stated the Draft 2020-2039 Capital Improvement Plan information has
78 been prepared to assist the Finance Commission in assessing the magnitude and financial impact
79 of the City’s DRAFT 20-Year Capital Improvement Plan (CIP). The City Manager
80 Recommended CIP is expected to be presented to the City Council on August 12, 2019.

81

82 Chair Hodder noted he listened to the conversation from the last meeting and asked Mr. Miller to
83 review the information for the Commission.

84

85 Mr. Miller presented the Roseville Draft 2020-2039 Capital Improvement Plan to the Finance
86 Commission. He reviewed Strategy one, PIP & PMP Programs with the Commission.

87

88 Mr. Miller reviewed Strategy two, Golf Course with the Commission.

89

90 Commissioner Hodder asked if staff will be collecting data on usage as far as how the new golf
91 course center is operating at this time.

92

93 Mr. Miller indicated staff is and has always tracked revenue and expenditures and the number of
94 green fees sold, league participants it has. With some of new community meeting spaces the
95 City has created over the last few years, usage levels are also being tracked.

96

97 Mr. Miller reviewed the third funding strategy, Utility Rate Adjustments. He also reviewed
98 Strategy four, Information Technology, and the fifth funding strategy, Communications &
99 License Center Review with the Commission.

100

101 Mr. Miller noted the utility rate impacts will be determined in November and the Commission
102 will review the recommended staff utility rates that goes to the City Council.

103

104 Commissioner Murray asked if there was any option of splitting the golf course off from the golf
105 course building because the golf course building is another rental space that the City operates
106 which is more like other places the City rents out.

107

108 Mr. Miller stated the City does internally track those costs separately. It may not be a perfect
109 split, but the City has actually been doing that all along, whether it is the golf course clubhouse
110 building related costs or the course operational costs. Those are being tracked separately. He
111 noted staff's intention is to keep tracking all expenses separately moving forward.

112

113 Commissioner Sagisser asked what the thought process behind renovating the club house for the
114 golf center. Was there expectation of more revenue coming in.

115

116 Mr. Miller stated the Council had deliberations on that off and on for a number of years. The
117 City Council underscored a couple of things; the golf course industry was trending in a direction
118 where the expectation of less golfers and less rounds of golf, at the same time the City had a golf
119 course clubhouse that was old and dilapidated and needed significant investment. The Council
120 reviewed the information to determine if it should be kept as a golf course and looked at a lot of
121 different architectural designs on what the building might be used for. What was determined was
122 to build something that would serve the needs of the golfer along with providing some
123 community meeting space for local groups and also has a commercial kitchen built into it. The
124 thought behind it is to have it used as primarily a golf course clubhouse but also have it available
125 for all citizens.

126

127 Commissioner Reif asked in regard to the utility rates, with these big senior developments
128 coming in, has that had much effect on utility rates.

129

130 Mr. Miller explained it has not affected the rates yet. He noted this is a revenue source but there
131 are also added expenses. Typically, these developments will pay for connecting to the sewer and
132 water mains in the streets. There is enough capacity to handle all of the additional flow and is a
133 matter of setting the rate structure enough to sufficiently recover the costs to provide it to those
134 buildings.

135

136 Chair Hodder noted Roseville gets the water supply from the City of St. Paul, what has been the
137 average annual increase on water.

138

139 Mr. Miller explained the City water supply has been declining and is about 1.2 billion gallons but
140 within the last decade the City has been as high as 1.5 billion gallons. Even though the City has
141 been expanding the average household usage has regularly been declining over the last ten years.

142

143 Commissioner Sagisser stated he was curious about the strategies for the equipment in the
144 Council Chambers. He asked if there is a requirement to record everything.

145

146 Mr. Miller stated it was not, it is a level of service that the Roseville City Council decided on a
147 couple of decades ago. He stated the majority of cities that are the size of Roseville does televise
148 and record. It is a value-based decision the Council has made years ago and continues to make
149 even though there is a cost to it. He did not imagine the City ever going back to not televising
150 them. He thought once there was this kind of transparency with televising and recording for
151 continuity purposes, it seems unlikely that Roseville would go back to the way it was to save
152 money. The Council feels that the transparency the City gets with having it televised and
153 recorded is to valuable.

154

155 Commissioner Sagisser thought once the cable fees disappear the cost will need to be moved
156 elsewhere.

157

158 Mr. Miller agreed.

159

160 Commissioner Murray stated as a side note, apparently people do watch because he talked to
161 someone and that individual commented on what he said and also what he was wearing at the
162 meeting.

163

164 Chair Hodder asked if there are other strategies involved in looking at some of the new
165 technology and are any cities looking at another source of potential revenue stream from of these
166 newer technologies.

167

168 Mr. Miller thought it was fair to say that cities are always looking at alternative funding sources.
169 He stated staff has explored some things and he thought staff has done a pretty good job of
170 capitalizing on some non-tax revenues that are out there and raising monies from non-local
171 funding sources as well. He explained the City has lease agreements with all of the wireless
172 service carriers and as those carriers switch over from 4G to 5G some of the main tower leases
173 are long term so them switching technology does not necessarily change the revenue streams,
174 when those entities start to take up more real estate then it does change. He noted all of the
175 leases the City has does have inflators in them, anywhere from three to five percent. Those do
176 go up every year.

177

178 Mr. Miller indicated there has been a Legislation at the Federal Level that is going to pre-empt
179 the City from getting a whole lot of revenue with the 5G technology. The City can charge the

180 wireless service companies but there is a limit as to what the City can charge. There is a cap on
181 the small cell deployments.

182

183 Chair Hodder asked in regard to Strategy One, will the repurposed 390k be adequate to address
184 the long-time operation of the PMP (Pavement Management Permit) fund.

185

186 Mr. Miller explained that based on the current CIP the cash is still spent down but it is enough to
187 cash flow for the next twenty years. There still needs to be some course correction at some
188 point. It is not fully sustainable yet but getting very close in that fund.

189

190 Chair Hodder asked going forward if the City needed to improve that position beyond the \$390
191 positioning.

192

193 Mr. Miller noted the Commission could make a recommendation but staff has recommended to
194 the Council that this is sufficient for the short term and maybe even the intermediate term but
195 what is in the urgent needs is on the operational side.

196

197 Chair Hodder thought the concern was if the fund gets depleted then the City would have to look
198 at individual assessments as a potential remedy to close those gaps.

199

200 Commissioner Reif noted in the annual report regarding the License Center that the tenants in the
201 strip mall leases expire at various times throughout 2021 and wondered if the Council has
202 thought beyond that as to what their desire is with respect to the strip mall.

203

204 Mr. Miller stated the Council has and needs to revisit that. As part of the License Center review
205 staff is suggesting it will need to invoke the entire strip mall.

206

207 Commissioner Sagisser asked if commercial taxes included in this.

208

209 Mr. Miller noted even though the City owns the building, it is the underlying use that determines
210 whether property taxes are going to be paid. The City is tax exempt and does not pay any
211 property taxes but the other businesses that are private and for profit will still pay property taxes
212 on their portion. About half of the mall is paying property taxes.

213

214 Commissioner Sagisser asked if the projections of those taxes bringing in more or less revenue
215 long term.

216

217 Mr. Miller reviewed how the property tax works with tax levies and how Roseville collects
218 property taxes.

219

220 Commissioner Murray asked on the strip center if the vacant properties taxable.

221

222 Mr. Miller indicated the pieces being used that are for profit are taxable, the rest is owned and
223 used by the City so no property taxes are being generated. Half the mall does not generate
224 property taxes.