

Memo

To: Roseville Finance Commission
From: Chris Miller, Finance Director
Date: August 13, 2019
Re: Item #3: Approve the Minutes from the June 11, 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 June 11, 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 June 11, 2019 meeting.

Prepared by: Chris Miller, Finance Director
Attachments: A: Draft Minutes from the June 11, 2019 Finance Commission Meeting

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**Finance Commission
Meeting Minutes
DRAFT – June 11, 2019 - DRAFT**

Roll Call/Announcements

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

Commissioners Present: Matt Harold, Edwin Hodder, Ryan Lee, John Murray, Jack Reif, and Dan Sagisser

Commissioners Absent: Matt Harold

Staff Present: Finance Director Chris Miller

Finance Director Miller stated at the last meeting the group adopted two new recommendations for the City Council to consider and have not yet gone to them. The Commission decided to leave the Cash Reserve Fund Policy as is and that the Council should decide what to do with those monies. He indicated the Commission also recommended the Cash Reserve levels in the Parks and Recreation Operating Fund have a range of fifteen to twenty-five percent.

Finance Director Miller stated with regard to the Parks and Recreation Operating Fund he touched base with the City Manager on what would be an appropriate time to make that recommendation and it was thought to do that at the September 23rd City Council meeting when the Commission will meet jointly but there is also another opportunity to present that at the July 8th City Council meeting.

Receive Public Comments

There being no one present wishing to speak to the Commission on an item not on the agenda, the Finance Director Miller moved to the next agenda item.

Approval of Meeting Minutes

Commissioner Reif stated line 21 should be changed to: “The City Council so the residents ~~who~~ know who is on the Commissions.” Line 32 should be changed to “Commissioner Reif ~~asked~~ stated that for publicly traded companies...”, Line 120 the first word should be “to” instead of “with”. Line 129 the last word should be “to” instead of “with”. Line 132 the sentence should read “Commissioner McRoberts stated this is his final Finance Commission meeting”. Line 153 would insert the words “Indicated that” after Commissioner McRoberts. Line 159 the sentence should read “This fund started off in a better cash position than previous years and that is why it finished...”. Line 172 the sentence should read “Commissioner Sagisser asked if there were ~~the~~

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.**
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58 **Receive Finance Commission Recommendations Tracking Report**

59
60 Finance Director Miller reviewed the Finance Commission changes made since the last meeting.
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63 **Select a Commission Chair**

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

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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

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

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.
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88

88 Mr. Miller reviewed Strategy two, Golf Course with the Commission.
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90

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.

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Review 2018 Audit Report

Finance Director Miller stated the City Council received the City’s annual audit presentation on May 13, 2019 from the City’s auditors, Redpath & Company. He reviewed the information with the Commission. He noted this was a good audit with a couple of things that were cited.

Commissioner Murray the auditors referred to GASB Statement No 75, apparently that increased the OPEB Liability by \$279,000, he wondered if that is a major change.

Mr. Miller indicated it is not, OPEB is Other Post Employment Benefits and the City does not offer that other than retirees can remain on the City’s plan. There is also the pension. It is not a significant change from the previous year.

Commissioner Murray asked how the collateral works that was mentioned in the audit.

Mr. Miller stated the City relies on its financial institutions to make sure all of the deposits are collateralized. There is the standard FDIC insurance, he referred to Attachment D, which references the situation where all standard bank accounts have insurance where all deposits are collateralized up to \$250,000. There was one account where in late December the balance was up to a post of about \$310,000, temporarily the additional amount did not get collateralized. Approximately \$90,000 of deposits were not insured. Management response was there is an agreement with the banking institution that states it will collateralize this for every penny the City puts into the bank, if it is more than the FDIC and the bank needs to go buy additional collateral then that is what the bank will do. The City put the onus on the institution because the City has no way to monitor in real time what the deposits actually are. The amounts can change by significant amounts throughout the workday and the City cannot see any transactions initiated by any third parties. He noted this account is not used often and only for buying and selling investments. The bank was very apologetic and has done what the City expects to give assurances that this will not happen again.

Commissioner Reif asked if it was a mechanical or human error on attachment A, the material misstatement about water user charges.

Mr. Miller indicated it was a human error. An accrual was made twice by accident.

Commissioner Murray stated on page 19, charges for services goes from nine million in 2017 to eleven million in 2018 but that was not including water and sewer, what would that have been.

Mr. Miller thought this is probably a combination of things. He stated he would review that and get back to Commissioner Murray on that.

Commissioner Murray commented on getting into the agency, on page 40-41, the housing redevelopment, the City Council pulled that in and are now running that.

270
271 Mr. Miller stated the body was appointed by the Council originally so having the Council run it
272 is not an issue.
273
274 Commissioner Murray thought as a management issue there might be a span of control issue on
275 that. The Council has a lot to do and might want to reconsider running that. He wondered if the
276 Council has ever considered setting up a sinking fund for the pension liability.
277
278 Mr. Miller stated the Council has not. There is a pension liability of approximately \$13 million.
279 The City has two choices to either leave it there as a liability on the Balance Sheet or repurpose
280 some of the cash holdings for that specific liability to show what is owed but also showing a
281 reserve of that same amount. Either way the City will be in the same place.
282
283 Commissioner Murray stated on page 51, note 2, was something in transit because the amounts
284 at year end deposits do not match the balance on the bank records at year end.
285
286 Mr. Miller stated there was something in transit and a book to bank reconciliation.
287
288 Commissioner Murray asked if the City was keeping separate accounts on the Lexington
289 Shopping Center.
290
291 Mr. Miller stated that was correct.
292
293 Commissioner Murray explained the audit mentions the 2.5 percent COLA trigger on page 65
294 and he was not clear on what that is.
295
296 Mr. Miller indicated there must have been something in the pension, but he was not sure.
297
298 Commissioner Murray indicated on page 68 there is pension expenses with a chart and in 2023
299 there is a two-million-dollar liability and he wondered if a lot of people will be retiring.
300
301 Mr. Miller stated he did not have the answer to what that spike is. He noted he would have to
302 look back at the PARA information and will follow up on it.
303
304 Commissioner Murray indicated the PERA assumptions is different than the Fireman's. He did
305 not know how actuaries came up with their numbers. He noted the salary increases were
306 different on pages 76 and 68. He stated the cable franchise fees along with gambling taxes are
307 going down. He referred to page 130 where there is an overlapping debt of various other entities
308 but there is a considerable amount of debt that the residents in Roseville are responsible for. He
309 noted on page 137, the sewer section he noticed that in 2018 it is showing that there were no
310 sewer lines cleaned.
311
312 Mr. Miller thought that must have been missed.
313

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.
316

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.

321
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.

325
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.

328
329 Chair Hodder asked when Standard and Poor's and Moody's do their review.
330

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.

337

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.

346

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.

349

350 Commissioner Sagisser confirmed he was interested in how the amount of investible money
351 works.

352

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.

356

357 Commissioner Sagisser thought that was worthy of considering and looked like a decent higher
358 rate of return.

359
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.
362
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.
368
369 Commissioner Sagisser explained his only thought of trying a smaller percentage would be an
370 increased comfort level for the City Council.
371
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.
375
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.
379
380 Commissioner Sagisser agreed.
381
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.
386
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.
390
391 Commissioner Murray indicated there will be bad years.
392
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.
395
396 Commissioner Murray stated the City would not throw the money all in one chunk, it would
397 need to be put in phases.
398
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

404

405 **Identify Discussion Items for Future Meetings**

406

407 Mr. Miller stated the next agenda would include discussions on a ten-year historical review of
408 the budgeting and tax levy decisions the City has made to give the Commission some context of
409 what has been done leading up until now. This would help with the upcoming budget review so
410 the Commission can make recommendations, if needed to the City Council. He was not sure if
411 this item would be enough to have the Commission meet to discuss in July and it could be
412 packaged with the August meeting.

413

414 Commissioner Murray made a motion, seconded by Commissioner Sagisser to cancel the July 9,
415 2019 meeting and move agenda items to the August 13, 2019 meeting.

416

417 Mr. Miller wondered if the Commission wanted to go before the City Council at the July 8, 2019
418 meeting to present the recommendations that were made at last month's meeting or would the
419 Commission like to package that into the joint meeting in September.

420

421 Commissioner Murray asked how that would fit with the flow of the Council business.

422

423 Mr. Miller stated the joint meeting is scheduled for September, so the Commission has the
424 opportunity to weigh in on the proposed budget. He thought it was fine to wait to bring forward
425 all of the recommendations but if the Commission thinks some of the recommendations should
426 go before the Council for recommendation before September then those items could be included
427 in the July Council meeting.

428

429 Commissioner Sagisser thought it made sense to wait and present these recommendations at the
430 September joint meeting with the City Council.

431

432 Chair Hodder agreed and thought by then the Parks and Rec Commission would probably have
433 their recommendation ready as well.

434

435 The Commission concurred.

436

437

438 **Adjourn**

439

440 Commissioner Reif made a motion, seconded by Commissioner Lee to adjourn. **The motion**
441 **passed unanimously.**

442

443 Meeting adjourned at 8:33 p.m.