

1 **Finance Commission – DRAFT Excerpts of September 13, 2022 Minutes**

2
3 **Review and Discuss the 2023 City Manager Recommended Budget & Tax Levy**

4
5 Finance Director Pietrick reviewed the 2023 City Manager recommended Budget and Tax Levy
6 that was presented to the City Council. She also reviewed changes staff received after the City
7 Council meeting.

8
9 Chair Davies thought it seemed like property values are increasing that then to raise the same
10 amount of money they should be able to lower the rate. She indicated she was not quite clear on
11 this.

12
13 Ms. Pietrick explained the estimate for the City-wide tax base she used in August was too high.
14 This is used to create the City tax rate. She noted she now has the correct figure from the County
15 and it was less than her original estimate.

16
17 Chair Davies asked if the median valued home changed and if it was recalculated based on the
18 market value.

19
20 Ms. Pietrick indicated it did not and explained that also comes from the County and is looking
21 strictly at the residential homesteaded property. That did not change. The piece she did not have
22 in August was the actual tax base. She indicated she estimated it and unfortunately she estimated
23 it too high at that point. Historically the City has gotten that data from the County by mid-
24 August and the last two years it has been coming out later in August. A few of the Finance
25 Directors in Ramsey County have discussed kindly requesting the Ramsey County Tax office to
26 get the City that data sooner. Most of the other cities do not even present median value impact
27 until their September meetings.

28
29 Chair Davies asked if the information published in the City News was correct.

30
31 Ms. Pietrick indicated it was not.

32
33 Commissioner Murray thought it will be a significant surprise for a lot of people that taxes will
34 be going up that much.

35
36 Commissioner Bester explained to put that in some perspective, he was looking at his statements
37 and the County is probably heading toward a three point something percent increase, school
38 district will have a large increase because of the referendum and the City at a seven percent
39 increase.

40
41 Commissioner Klein-Hegge indicated she read in the paper that Ramsey County is proposing
42 4.54 percent as a tax increase this year.

43
44 Chair Davies explained she was trying to understand how all of these numbers work because it
45 seems like if there is a certain increase across the whole City and it is divided by the number of
46 houses there that it would be less.

47
48 Ms. Pietrick explained the increase percentage does not get allocated that way, unfortunately.
49 She noted some properties went up in value and some less and then there are commercial
50 properties, apartments, and all other property, which is in the City's tax base and these all
51 changed at different rates.

52
53 Commissioner Bester thought Chair Davies raised a good question and it seemed logical that if
54 the median value increases the tax rate potentially could decrease but that is disconnected from
55 the levy which is just a number of dollars.

56
57 Ms. Pietrick explained that is correct. The tax rate is the City's dollars levied divided by the total
58 property valuation within the City. That is what creates the tax rate and the tax rate did go down.
59 The tax rate is then applied to the taxable market value of a residential property, more or less.

60
61 Commissioner Bester asked if that would be a talking point. He thought the talking points were
62 excellent in terms of the per month did not overstate but the possible shock value with the rate
63 going down or would that add to much to the talking points.

64
65 Ms. Pietrick explained some cities focus on the tax rate and others do not. Roseville has
66 historically used the median value residential property, which is what other cities use as well but
67 again, some cities really focus on the tax rate. The City does not certify the levy based on the tax
68 rate; the City certifies the dollar amount. The dollar amount is what the City needs to balance
69 the budget.

70
71 Chair Davies wondered what is the significance of the highlighted numbers in the reports the
72 Commission received.

73
74 Ms. Pietrick reviewed the highlighted items in the reports disbursed to the Commission. She
75 indicated those were corrected from the previous reports.

76
77 Chair Davies indicated the budget does show the expected significant decline in the Fund
78 Balance at the end of 2022.

79
80 Ms. Pietrick explained that is because the City using the Fund Balance in the Capital Project
81 Funds for the most part. The City is also using strategic use of the General Fund for one-time,
82 infrequent projects as noted in the budget presentation. Staff is also proposing utilizing the
83 excess Cash Reserve Fund to infuse the Parks and Recreation Vehicle and Equipment Fund,
84 which according to the CIP, needed a cash infusion and by infusing that now, it actually sustains
85 the fund for the next seven to ten years.

86
87 Commissioner Bester asked Ms. Pietrick to explain fluctuation analysis.

88
89 Ms. Pietrick explained the City Council budget went down in the proposed budget because the
90 2022 budget had the visioning project in there as an expense and the revenue side was the
91 reserves. She explained that Administrative expenses went up due to the Compensation and

92 Classification Study as well as the Strategic Plan and the recodification which the City is using
93 reserves to offset those increases. She explained the Police Admin budget increased due to the
94 Housing Navigator budgeted for part of the year and a social worker and across a lot of these
95 departments are the COLA and step increases.

96
97 Ms. Pietrick continued her review of the changes to the proposed budget.

98
99 Commissioner Klein-Hegge asked if there has been any feedback from the community about the
100 proposed tax increase.

101
102 Ms. Pietrick explained she has not seen all of the feedback but has had a few phone calls and she
103 actually talked to her neighbors at Night to Unite and at that point she did not know exactly
104 where the City was at but most people she has talked to have been supportive. Essentially an
105 additional ten dollars a month the people were supportive of. She did explain that was just the
106 City portion of the increase and did not know what the County or School District had proposed
107 for increases. She explained she has not heard anything negative.

108
109 Commissioner Murray asked if it was a State Law or Ordinance that the City Attorney needed to
110 attend City Council meetings because most of the time he just sits at the meeting.

111
112 Ms. Pietrick indicated the City Attorney is required to attend meetings but she did not know if it
113 was a State Law or City Ordinance. She explained the City Attorney is at the meeting to answer
114 questions and provide legal advice to the Council.

115
116 Commissioner Murray asked if it would be feasible to have the City Attorney electronically
117 connected to the meeting so staff could call him if the Council had a question.

118
119 Ms. Pietrick explained that would not change the amount the City pays for Attorney services.

120
121 Commissioner Murray thought if the City Attorney was in contact via phone rather than go to the
122 meetings the City could negotiate a lower rate.

123
124 Commissioner Murray explained Country-wide there is a labor shortage situation and if there is
125 an opportunity to cut down on required personnel than the City should do that.

126
127 Commissioner Klein-Hegge asked if staff would be looking at any potential areas for possible
128 expense decreases or cuts to ease the burden on the taxpayer because she thought the seven
129 percent and four percent with the County is pretty steep and has concerns about that.

130
131 Ms. Pietrick explained the budget staff started with is not the budget that is in front of the
132 Council and Commission. There were certain things that the City Manager could not support at
133 this point in time because he was not prepared to bring in a levy increase as high as it started out
134 to be. She noted the levy increase started at eleven and half percent. There were expenses cut
135 and departments had been asked to revisit their budgets. Certain things were deferred which
136 does not help down the road but there were changes made on the expense side and then as she

137 said staff used strategic use of the General Fund for specific items and applied the excess Cash
138 Reserve Fund to bring the levy down even further to get to the seven percent.

139

140 Commissioner Bester asked if the City budgets to recover for vacancies.

141

142 Ms. Pietrick explained the City budgets for one hundred percent employment. It does not budget
143 a turnover or vacancy ratio. She indicated most of the vacancies have been occurring in the
144 Police Department or in Public Works. Work still has to occur when a person leaves and
145 generally that person has to be paid out any personal time off or vacation or comp. time. While
146 that job is vacant, overtime increases so what limited savings the City would get from a vacancy
147 generally are eaten up by overtime. If the City were to budget for vacancies and all of jobs
148 would fill up the City would run into the issue of not having enough money within the budget to
149 pay for the employees.

150

151 Commissioner Klein-Hegge asked if there are any other areas that could potentially be cut. She
152 wondered if anything has been identified.

153

154 Ms. Pietrick indicated she was not aware of any other areas.

155

156 Commissioner Klein-Hegge thought it was something that should be considered.

157

158 Ms. Pietrick reviewed with the Commission the staff budgeted with changes to the proposed
159 budget to include a new position, some reclassifications, 2 part time increased to full time and
160 the COLA/Step increases.

161

162 Commissioner Bester asked if leasing equipment would help the City to push the expense into
163 the future.

164

165 Ms. Pietrick indicated it would not. The interest rate the City would pay on leases is extremely
166 high. The City would be better off bonding for purchases.

167

168 Chair Davies thought if the Commission wanted to trim the budget they would need specific
169 proposals if they wanted staff to take them out of the budget. A lot of these increases are not
170 optional to remove.

171

172 Commissioner Sagisser asked if the Commission found some things that should be shaved off the
173 budget how would the Commission go about doing that and what would people be comfortable
174 with. Is there a percentage or an amount the Commission could recommend the budget get down
175 to.

176

177 Ms. Pietrick indicated there are some cities that are budgeting a higher increase percentage than
178 Roseville.

179

180 Chair Davies explained it is up to the Commission to make a recommendation. She wondered if
181 the Commission wanted to make a recommendation to cut the levy increase or accept it as
182 proposed by the City Manager.

183
184 Commissioner Sagisser thought the Commission needed to figure out what should be changed in
185 order to make a recommendation for change.

186
187 Commissioner Murray indicated he would lean towards keeping the levy increase to five percent
188 because that is what the income increase has been.

189
190 Commissioner Bester asked what is likely to happen if the Finance Commission makes the
191 increase at five percent.

192
193 Chair Davies indicated this is just a recommendation so the Council will do what they want. If
194 she made a prediction she thought the City Council will approve this as proposed by staff in
195 September and then see what the reaction is from the citizens and then work down from there
196 because the Council cannot increase the levy once approved for a lower amount.

197
198 Chair Davies explained the Commission could make a recommendation to the City Council to
199 approve this in September as a not to exceed number but try to find ways to cut the levy increase
200 closer to five percent.

201
202 Commissioner Klein-Hegge understood that ten dollars a month increase does not sound like
203 much but when looking at a year that is a twelve-hundred-dollar tax increase for the City for the
204 year and for some people that is pretty substantial and she did not know if their wages have
205 increased to that same extent over the last year and on top of that Ramsey County will be
206 increasing their tax by four and a half percent. She wondered if staff could see if there are other
207 places such as projects that could be put on hold because she thought it is going to be tough for a
208 lot of people and has been a tough year.

209
210 Commissioner Murray moved to have staff try to get down to five percent.

211
212 Commissioner Dahir indicated he would rather try to get down to six percent because of the
213 COLA and other items that cannot be removed.

214
215 Commissioner Bester indicated he would be more inclined to push the City's General Reserve
216 Fund further rather than try to cut expenses. He suspected staff has done a pretty good job of
217 bringing expenses down and it is pretty hard to send a tough message to the community,
218 especially around election time.

219
220 Chair Davies was not sure there is much more to shave off the budget without coming awfully
221 close to that thirty-five threshold on the General Reserve Fund.

222
223 Commissioner Murray figured the City will have a larger property tax base in the coming years
224 with the new buildings that have been built.

225
226
227
228
229
230
231
232
233
234
235
236
237
238

Ms. Pietrick explained that if the City Council agreed with the Commission recommendation they will direct staff to get to that level by the deadline. To achieve a 5 percent levy increase, \$500,000 would need to be cut/used from reserves and a 6 percent levy increase would need to cut/use reserves in the amount of \$250,000.

Most of the Commission wanted to aim at the six percent level and using the General Reserve Fund.

Commissioner Murray moved, Commissioner Klein-Hegge seconded a motion to recommend to the City Council reducing the 2023 Budget to five or six percent increase because the community would feel more comfortable with the increase. **The motion carried unanimously.**