

**Finance Commission
Meeting Minutes
February 12, 2019**

Roll Call/Announcements

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

Commissioners Present: Robin Schroeder, John Bachhuber, Matt Harold, Edwin Hodder, Malcolm McRoberts, John Murray, and Jack Reif

Commissioners Absent: None.

Staff Present: Finance Director Chris Miller

Commissioner Bachhuber stated he wanted to let the public know that after being a founding member of the Finance Commission, he has decided to leave after his term ends. He indicated he has really enjoyed working with all of the Commissioners and staff.

Chair Schroeder noted she will also be leaving the Finance Commission at the end of her term. She indicated she was also a founding member and has really enjoyed the time spent on the Commission and working with everyone. She encouraged everyone to think about who on the Commission would like to be chair.

Finance Director Miller thanked the two Commissioners for all of their hard work on the Commission. Related to the fact that there are two vacancies on the Finance Commission, the City is in the process of advertising for all vacant Commission spots for all of the City's advisory Commissions. He noted there is only one application for the two open spots. He encouraged Commissioners to reach out to people. He updated the Commission on City Council meeting items that occurred in December and January.

Mr. Miller noted the Commission discussed at length regarding the Cash Reserves and the idea of creating a Cash Reserve Fund which was recommended to the City Council last September and there will be a presentation before the City Council at the March 18th work session.

Commissioner Harold asked if there was a buyer on the horizon for the Fire Station.

Mr. Miller indicated there was not a buyer yet. The developer the City bought the strip mall from has the first right of refusal to acquire that over the next two years and he believed there was a year left on that. He noted there have been inquiries, but no one has come forward wanting to purchase the Fire Station.

Commissioner Bachhuber asked if internal loans come with any applied interest rate or are the loans zero interest rate.

Mr. Miller stated historically the loans have been zero interest and no changes have been proposed.

Commissioner Murray stated he has looked at the Public Works map and the projects and he wondered if there is some sort of a scoring system of which projects will be pursued. He asked how the Public Works Department determined priorities.

Mr. Miller stated the Public Works Department has some software with modeling in place for how old the road is and what kind of maintenance has been done on it, how much useful life is left. There is some prioritization based on the age of the section of the infrastructure that is being proposed to be replaced and maintenance records are reviewed as well.

Commissioner Murray stated he reviewed the information on the strip center with a person he knows with knowledge about commercial real estate and it was indicated that the strip center and that person's opinion was the strip center is unlikely to run a positive cash flow.

Mr. Miller stated based on the tenants the City has in now it would not have a positive cash flow with out the license center contribution.

Commissioner Hodder stated there was a newspaper article about a TIF project for a trucking outfit and he wondered when that went before the City Council.

Mr. Miller thought it was on a former truck terminal property, but a company called Colder Products that make pipe fittings talked about doing a TIF District for financial assistance for that, but that deal has not yet been completed.

Receive Public Comments

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

Approval of Meeting Minutes

Chair Schroeder asked Commissioners if there were any changes to the December 11, 2018 meeting minutes.

Commissioner Reif stated line 38 should be changed to: "if there are any excess reserves at year end." Line 55: "overtime" should be two words.

Mr. Miller stated line 127 should be changed to: "Commissioner Murray thought the Charter for the Commission is kind of broad as to what to do."

Commissioner Bachhuber moved, seconded by Commissioner McRoberts to approve the December 11, 2018 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Harold noted there were not any changes to report at this time.

Continue Discussion on CIP Review Process

Finance Director Miller stated at the December Finance Commission meeting, the Commission continued its discussion on potential changes to the Capital Improvement Plan (CIP) review process. The Commission affirmed its interest in creating new review procedures for Higher-cost, asset additions; higher-cost asset replacements that feature substantial changes from their original size, functionality, or purpose. It was further suggested that the city consider adding a retroactive review of prior CIP purchases that met the two criteria, perhaps one or two years after implementation was completed.

Mr. Miller reviewed the CIP Review Process with the Commission.

Chair Schroeder stated that the number in the packet is not overwhelming but enough to be looking at. She stated \$500,000 seems to be the sweet spot.

Commissioner Harold asked regarding infrastructure projects if the City intends for those to fall into this category like street replacements, sidewalks, and pathways. He thought it would be a challenge to fit into this sort of review. He assumed all of those things are being vetted out in the Public Works area.

Chair Schroeder thought the only time that came up was when the Commission was caught by surprise when looking at the endowment fund. She thought something like that might be a trigger.

Commissioner Harold thought it would be challenging in the revised policy to come up with an exhibit for infrastructure projects. Funding sources, a description of the project would be good, but he did not think this fit what the Commission was going for.

Commissioner McRoberts stated conventionally the danger is if the Commission starts to exclude things and anything other than a pure monetary value the Commission would run the risk of something getting through that with hind site may be something the Commission wanted to talk about.

Commissioner McRoberts stated there were a couple of documents regarding archiving stuff and facilities such as warming houses and Mr. Miller asked what the Commission would have

expected, and he would have expected to see more of an analysis of what was going to be spent and what was actually done.

Commissioner Bachhuber stated one of the reasons he would want to see something like this for adding a mile of pathway is to make sure the Commission looks at how much that will add to operational costs or how much more will it cost the City to plow it in the winter and maintain it over time. It is not about evaluating the numbers to determine right or wrong, it is about ensuring the thought process is there.

Chair Schroeder asked the Commission if there were any thoughts on the actual policy itself.

Commissioner McRoberts reviewed the example and thought instead of listing estimated cost, it should read upfront cost and five-year operating cost. He thought it would make the document nice and clear.

Mr. Miller stated if the Commission wanted to make changes to the document before formal presentation to the City Council it should be discussed at the meeting.

Commissioner McRoberts stated the document is something that articulates where it is today, it does not indicate where the City said it would be today. He thought it was a simplistic case of showing expenditures that were expected along with revenue streams that were expected with some commentary showing due diligence was done.

Commissioner Hodder thought there might be a way to generate additional revenue streams.

Commissioner Bachhuber thought this would help the Council understand if the proposals that are received optimistic or pessimistic as it relates to ongoing maintenance costs or revenue.

Mr. Miller asked how the Commission would approach this if talking about the decision to build a new fire station came up. He stated he could see projected operating costs and actual operating costs as one metric that might be reported on but what does the Commission see as other metrics beyond that.

Commissioner McRoberts reviewed the examples in the packet and thought the examples would be helpful in order to make sure the next project that comes into the City is more accurate.

Commissioner Murray stated there may be some other rationales going on as well besides pure economics of revenue versus expense. He thought the way the City analyzes the park buildings may be different from the way the City analyzes a fire station.

Chair Schroeder thought it comes down to the original proposal that goes to the Council with justifications for doing the project and the look back would be to see if the City achieved what the original proposal said would be achieved.

Commissioner McRoberts did not know if the project needed to be codified, there would be certain assumptions made and the justification and articulation of why and if the City met those assumptions, recognizing that each one could be different. He thought as part of every proposal, included within that, would be the data that drove the case along with wording indicating reviewing the project at a future date which would be the standard process of approving the project.

Commissioner Bachhuber wondered if the solar project would have worked with this policy because there was no initial capital.

Chair Schroeder thought that would be accurate.

Commissioner Hodder thought that might be something to think about because those are good projects to look as far as how the City is operating because there could be future opportunities depending on how well those projects do.

Mr. Miller stated this policy was fueled because the City's CIP needs were bigger than the CIP funding sources.

Chair Schroeder indicated items were also discussed that were not on the CIP or ended up being bigger than staff thought. She wondered what the focus should be.

Commissioner Hodder thought it was like a rate of return on an investment.

Commissioner Bachhuber stated he was not suggesting trying to expand the policy to cover things like the solar project but there might be some value in getting some things done.

Mr. Miller recapped the Commission discussion. He wondered if the Commission wanted him to include an exhibit B showing how the project might look like or define what the look back should define or evaluate.

The Commission thought that was a good idea.

Mr. Miller stated he would put the information together for review at the next meeting.

Review City Financial Policies

Finance Director Miller stated as set forth in City Code Chapter 208, one of the Finance Commission's primary duties is to advise on the City's financial policies.

Mr. Miller reviewed the City's Financial Policies with the Commission.

Chair Schroeder stated it would be nice and made sense to put somewhere on the policy the date the policy was last updated.

Operating Budget Policy

Commissioner McRoberts noted line 45, going back to the threshold of \$5,000 which is in this policy and the CIP policy as well. He wondered if that was realistic.

Commissioner Bachhuber thought that question was already answered by the City Council. He thought the Council wanted to keep it at \$5,000.

Mr. Miller stated it was asked and answered three times in the last six or seven years and that is where the Council's comfort level is.

Chair Schroeder thought this policy was pretty straight forward.

Debt Policy

Chair Schroeder thought this policy was pretty straight forward as well.

Commissioner Bachhuber noted the piece regarding the refinancing of bonds, line 90, and asked if there is a rule of thumb or a process that is used to determine if there will be a significant economic advantage.

Mr. Miller stated the City utilizes a third party to periodically look at the data issues and whether there are opportunities to refinance them at current rates.

Commissioner Murray stated from time to time, bonds come up on the open market and he wondered if the City did anything with it.

Mr. Miller stated it is rare where the City has put in a call provision with a chance to buy the bonds back and pay them off early. Once the bonds are sold, it is out there for institutional investors to buy.

Revenue Policy

Commissioner McRoberts asked why, on line 191, the cash reserve amount is spelled out as numbers as opposed to percentages.

Mr. Miller stated it was because at the time this was revisited in 2016, the other ones in operating cash reserves were more about cash flow for day-to-day operations and this item was for what was needed from a cash value to maintain this fund as an endowment fund where, in theory, the interest earnings are what is funding the annual expenses. But it is not exactly working that way right now and the program cannot be sustained by interest earnings alone so the eight to twelve million dollars is going to be a challenge to maintain without significant tax levy increases to maintain the endowment amount.

Identify Discussion Items for the Future Meeting (March 12, 2019)

Mr. Miller updated the Commission on items coming before the Commission in March.

- a. CIP Review discussion
- b. Selection of Chair and Vice Chair
- c. Brief update on investment performance
- d. Scheduled a review of the City's IT function and business model

Commissioner Hodder asked if the Commission could discuss TIF and how it is being used at a future meeting.

Adjourn

Commissioner McRoberts made a motion, seconded by Commissioner Murray to adjourn. **The motion passed unanimously.**

Meeting adjourned at 7:50 p.m.