

**Finance Commission  
Meeting Minutes  
June 11, 2019**

**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:** 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 23<sup>rd</sup> City Council meeting when the Commission will meet jointly but there is also another opportunity to present that at the July 8<sup>th</sup> 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~~ 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~~ other sources of...", Line 184 the sentence should read "Commissioner Lee asked if those

programs are scalable...”. Line 274 the sentence should be amended to read “Mr. Miller stated the Parks Commission has not taken an action on it but have started discussion.”. Line 507 the sentence should be changed to “Mr. Miller stated the Commission probably would ~~to~~ give to the Council...”. Line 516 the word “do” should be replaced with “get”. Line 525 “Commissioner” should be replaced with “Mr.”

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

### **Receive Finance Commission Recommendations Tracking Report**

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

### **Select a Commission Chair**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Miller agreed.

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

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

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

Mr. Miller indicated there has been a Legislation at the Federal Level that is going to pre-empt the City from getting a whole lot of revenue with the 5G technology. The City can charge the wireless service companies but there is a limit as to what the City can charge. There is a cap on the small cell deployments.

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

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

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

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

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

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

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

Commissioner Sagisser asked if commercial taxes are included in this.

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

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

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

Commissioner Murray asked regarding the strip center if the vacant properties are taxable.

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

### **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 noted that 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.

Mr. Miller stated the body was appointed by the Council originally so having the Council run it is not an issue.

Commissioner Murray thought as a management issue there might be a span of control issue on that. The Council has a lot to do and might want to reconsider running that. He wondered if the Council has ever considered setting up a sinking fund for the pension liability.

Mr. Miller stated the Council has not. There is a pension liability of approximately \$13 million. The City has two choices to either leave it there as a liability on the Balance Sheet or repurpose some of the cash holdings for that specific liability to show what is owed but also showing a reserve of that same amount. Either way the City will be in the same place.

Commissioner Murray stated on page 51, note 2, was something in transit because the amounts at year end deposits do not match the balance on the bank records at year end.

Mr. Miller stated there was something in transit and a book to bank reconciliation.

Commissioner Murray asked if the City was keeping separate accounts on the Lexington Shopping Center.

Mr. Miller stated that was correct.

Commissioner Murray explained the audit mentions the 2.5 percent COLA trigger on page 65 and he was not clear on what that is.

Mr. Miller indicated there must have been something in the pension, but he was not sure.

Commissioner Murray indicated on page 68 there is pension expenses with a chart and in 2023 there is a two-million-dollar liability and he wondered if a lot of people will be retiring.

Mr. Miller stated he did not have the answer to what that spike is. He noted he would have to look back at the PARA information and will follow up on it.

Commissioner Murray indicated the PERA assumptions is different than the Fireman's. He did not know how actuaries came up with their numbers. He noted the salary increases were different on pages 76 and 68. He stated the cable franchise fees along with gambling taxes are going down. He referred to page 130 where there is an overlapping debt of various other entities but there is a considerable amount of debt that the residents in Roseville are responsible for. He noted on page 137, the sewer section he noticed that in 2018 it is showing that there were no sewer lines cleaned.

Mr. Miller thought that must have been missed.

Commissioner Murray indicated he was disappointed that the City Council did not ask any questions and he noticed the auditors did not come up with any recommendations for the City.

Mr. Miller explained the City Council normally does not ask questions. The auditors did bring some things to the Council's attention, the golf course was one of them, but the scope of the audit is pretty limited to auditing the financial statements as opposed to giving recommendations on making the City fiscally stronger.

Commissioner Reif indicated on page 44 of the report where the footnote deals with authorized investments and he did not think it included the recent change about additional investment options. He thought that footnote should be changed for next year.

Mr. Miller stated Commissioner Reif was correct but may be the City's investment policy and not the State Statutes. He would double check that.

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

Mr. Miller explained right now the City has a AAA rating from both Moody's and Standard and Poor for the bond rating, which is the highest a City can get. Anytime that debt is issued where the City is asking for a credit rating then those are reviewed, and a new report is issued. He noted usually the City does not go to both agencies, usually it is one or the other but if one of the agencies hasn't been asked to issue an opinion on a new debt issue, the companies will do an update. Every two to three years it is looked at regardless of whether the City is issuing debt.

### **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. The initial information was presented to the Commission at the May 14, 2019 meeting and at the request of the Commission, Commissioner Murray has prepared some supplemental information to present.

Commissioner Murray reviewed the supplemental information with the Commission. He would recommend to the City Council that the City go ahead and put some money with the State Board of Investment or other index fund.

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

Commissioner Murray noted there is money invested for long term and the State will allow the City to invest up to twenty-five percent of that long-term money into an index fund or with the public investment board.

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

Commissioner Murray indicated the rate of return is good. His cautionary note is if the City were to do this to phase it in a little at a time.

Mr. Miller indicated the City's investment portfolio today is primarily in safer investments, it is not in equities or stocks. There is less risk but also less return on the investment. He noted some cities are taking a look at this and would take a pretty disciplined Council to be very comfortable with losses in one or more years, knowing that longer term this might get the City greater gains. This would have to be an approach that subsequent Councils follow.

Commissioner Sagisser explained his only thought of trying a smaller percentage would be an increased comfort level for the City Council.

Chair Hodder indicated that was his thinking as far as a pilot program to recommend starting out with five percent to figure out where that is going. People would need to understand the risk as well.

Commissioner Murray expressed he would leave it open for the City Council to pick the percentage based on their comfort with risk. As a policy matter, he would recommend going forward with this.

Commissioner Sagisser agreed.

Commissioner Reif agreed and thought the Council should consider it. He tended to be conservative and would start out with a rather modest percentage and give it a couple of years to see what it looks like and let the Council get comfortable with it and assess where it is at to make a decision going forward.

Chair Hodder indicated that was his thinking as well because he was more conservative by nature and lived through the shocks of 2008. Over time investment returns have been more robust.

Commissioner Murray indicated there will be bad years.

Commissioner Sagisser thought it sounds like it might be a great thing to have the finance staff start to look into and something to implement when things are lower.

Commissioner Murray stated the City would not throw the money all in one chunk, it would need to be put in phases.

Commissioner Sagisser made a motion, seconded by Commissioner Murray to recommend the City Council look at this policy and avail themselves of the option of investing City Funds either with the State Investment Board or an Index Fund at a percentage the City Council is comfortable with. **The motion passed unanimously.**

**Identify Discussion Items for Future Meetings**

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

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

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

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

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

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

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

The Commission concurred.

**Adjourn**

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

Meeting adjourned at 8:33 p.m.