

**Finance Commission
Meeting Minutes
July 10, 2018**

Roll Call/Announcements

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

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

Commissioners Absent: John Murray

Staff Present: Finance Director Chris Miller

Finance Director Miller reported on the items in the latest Council meeting that relate to the Finance Commission: the recent citizen survey was presented to the Council last night; utility rates were also discussed.

Councilmember McRoberts asked whether considerations can be made on the utility rates to prevent penalizing larger households.

Finance Director Miller responded there is no way of detecting how many people are in a home. The Council stated that despite that unknown, there may be some people who can still conserve water. That said, the effort to avoid penalizing folks with larger households is one reason why the two tiers have remained in place.

Finance Director Miller noted that at the next Council work session, the CIP will be discussed, along with 2019 budget goals and priorities. Also, the City Manager budget will come out on August 13th.

Receive Public Comments

Cynthia White, 2489 Churchill

Ms. White attended part of the Council meeting last night, and she suggested that the FC actually watch the presentation on the community survey. The presenter did a really good job, and he had some commentary on the numbers that was not obvious by looking at the charts. Also, the Council has adopted a system of “preferences” rather than “priorities” as it relates to the CIP. A point scheme has been established. She encouraged the FC to watch the meeting. The sewer and water rate discussion was also interesting. Public Works will make water a priority for the next year, and house size was one of the things discussed. Also, there might be a way to tag the spending priorities in the 2040 Comp Plan.

Roger Hess, 1906 Whitener

Mr. Hess asked how many bonds are issued that are voter-approved.

Finance Director Miller explained none of the current bonds are voter-approved.

Mr. Hess asked about the bonds used to pay for the City Hall building.

Finance Director Miller explained those are paid off.

Mr. Hess stated he does not like the language of “repurposing” bonds. He would like the FC to be included on any financial subject before it gets to the City Council.

Approval of Meeting Minutes

Commissioner Hodder noted that on line 135 and 136, he would like to strike the dollar signs, as those figures refer to traffic citations.

Commissioner McRoberts noted he was not present at the meeting, but he observed that line 338 mentions potential pushback from the Council because the policy would be different. If he had been present at the FC meeting, he would have pointed out that the Council is not adhering to the current policy anyway.

Commissioner Harold moved, seconded by Commissioner Bachhuber, to approve the June 12, 2018 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Harold provided one update: the one change that needs to be made is to add the recommendation from last FC meeting, to align the Park Improvement Plan CIP recommendation with that of staff.

Review Fire Department Phase II Staffing Strategic Plan

Fire Chief O’Neill introduced himself and Assistant Fire Chief Brosnahan. He began the discussion of staffing plans by providing a brief history of the Fire Department (FD) in the City of Roseville. The Fire Department transitioned from a few hundred calls per year in the 70s to over 5,200 calls per year. During that time, Roseville has transformed from a rural community to a complex first-tier suburb.

During the last 4 to 5 years, the FD has changed from 70 part-timers and 5 full-timers, to now 17 full-time firefighters and 27 part-timers. A primary focus of the strategic plan for the next 4 or 5 years is replacing departing part-time staff with full-time staff. He briefly provided an overview of the staffing challenges faced to date, throughout the period of Phase I, noting that attrition was the primary and somewhat unexpected cause of the reduction in part-timers.

Commissioner Reif asked about the part-time firefighter attrition.

Fire Chief O'Neill stated the primary reason stemmed from many firefighters wanting a full-time firefighting position. Roseville ended up becoming like a farm system, training firefighters to go off and get full-time jobs in other cities. The other main reason people left was the time commitment; the thousand-hour obligation became too much for those with a daily commute, families, and other obligations.

Commissioner McRoberts commented that one of the things that was missing in the presentation given to the Council in March was some kind of value provided by the FD. He suggested the FD staff can do a better job explaining to the Council what the department offers, compared to other communities.

Fire Chief O'Neill responded that the FD has decided, since that Council presentation in March, that they missed the mark with the information emphasized. The presentation focused too heavily on the desired add-on positions rather than explaining what is happening right now with the staff and the specific need for additional staffing. Now, the FD has entered into the community feedback and input stage. The FD is trying to educate the community about all the changes happening in the department, the value that it brings, and the idea that there are not a lot of other options. Something has to be done, and it is time to discuss what those options are. To do it over again, he would have talked with the Council about the need for the staffing – rather than on the 4 pillars. While the pillars are great, without the staffing, the pillars will not happen.

Assistant Fire Chief Brosnahan then presented the 4 pillars of the Phase II staffing.

- **Pillar #1: Advanced Life Support - First Response**
 - A huge and critical step in the right direction for our community.
 - Advanced medical care within five minutes of calling 911.
 - Prolonged on-scene times.
 - Possible co-transport with Allina to maintain high level of care.
 - Thin or decreased staffing due to additional capabilities.

It was noted that the structure between Police and Fire remains the same, both of whom will be the first on the scene. Allina will continue to provide transport to hospitals, except in rare cases where a medic may have to transport to a hospital. Roseville FD's response time to an emergency medical situation is just over 3 ½ minutes. The FD will take care of the patients to the best of its ability, and having a medic on the team will make a huge difference.

Commissioner Bachhuber asked if there is any data from other departments who have adopted these principles, related to risk reduction or lives saved as a result of this plan.

Fire Chief O'Neill responded that as fire departments have moved into full-time staff, a lot of them began providing medical calls. A lot of those departments provide the same level of service Roseville currently provides. As far as the ALS piece, Roseville would be the first ones to do that, so there is no data. By State statute, Roseville is prohibited from simply transporting to the hospital. The best that Roseville can do is a first response in 3 minutes. Sometimes Allina

is there in 3 minutes, and sometimes they are there in 12 or 15 minutes. With just a little influx of staff and funds, the FD can help in those life-saving situations. There is no financial benefit at this point, but a lot of things the FD does carries no direct financial benefit.

- **Pillar #2: Enhanced Fire Prevention and Inspections Programs**

Assistant Chief Brosnahan noted fire prevention and inspections are already part of the Fire Department, but the goal of this pillar is to enhance those services and programs and to ensure sustainability. Currently, Roseville's fire prevention and inspections program has been rebuilding since the Fire Marshall left two years ago. The purpose is to allow more focus on the proactive approach to prevention and inspections.

Fire Chief O'Neill added that this program is a revenue income source. These items are charged for, and it helps offset other programs in which the FD is engaged.

Commissioner McRoberts asked whether there could be an insurance benefit for certification, which would help fund this program.

Assistant Chief Brosnahan noted that each FD is given an ISO, which is an insurance service rating. Commercial and industrial properties do benefit from a highly rated Roseville FD.

- **Pillar #3: EMS Prevention and Community Health Outreach Programs**

Assistant Fire Chief Brosnahan explained the big piece of this pillar is the proactive nature of community health. The goal is to decrease existing 911 calls. Currently, the Police and FD will sometimes be called to one address 4 or 5 times in the course of a month. Proactively, a preventative approach might prevent several calls down the line. There are several facets: a medical assessment, reviewing medications, home safety check, injuries, and nutritional services to address any needs a person may have. Another piece is developing a partnership with hospitals or a skilled-nursing facility. Discharged patients often come home with a pile of paperwork and a huge stack of pills. In this model, a community paramedic could explain the pills and how to take them, and also conduct a nutritional evaluation. That partnership could be established with a hospital or skilled-nursing facility.

Assistant Fire Chief Brosnahan continued that another goal is to set up a clinic partnership where there is free care on the first floor of the fire station. This community risk reduction piece is not as immediately impactful but will have a long-term impact. Another facet is the educational component, for example, a falls and fire-prevention program.

Chair Schroeder asked if specific FD members would be trained in this area.

Assistant Fire Chief Brosnahan responded he would like to have all staff trained in this area. He has also discussed creating a consortium with other cities and local hospitals.

Chair Schroeder noted it is a fine line to navigate in these medical situations, between the insurers, and medical providers and the City services.

Commissioner McRoberts suggested there may be ways to negotiate with insurance companies to make it financially positive.

Assistant Fire Chief Brosnahan noted this is a billed service.

- **Pillar #4: NFPA 1710**

Assistant Fire Chief Brosnahan stated this is a standard by which the FD is currently not compliant, via the National Fire Protection Association. It deals with crew members and numbers of firefighters available with a significant event. It specifically calls for 15-17 crew members within the first 8 minutes of an event. This is an evaluation of the pros and cons of the existing staffing. He noted that as staff numbers continue to shrink, it will be difficult to be anywhere near compliance with NFPA 1710.

Fire Chief O'Neill noted this is also a matter of firefighter safety. As the FD progresses through the attrition of part-time staff, something will have to be done. The part-time numbers have dwindled quicker than anticipated in phase I. The stated goal is to implement this by 2020, and something will have to be done with staffing, so that the community continues to be protected, from a fire perspective.

Fire Chief O'Neill added that the FD has been a low-budgeted department for its 74 years of existence, and now it is time to fund it more along the lines of other City departments. The numbers included in the presentation are after phase II.

Commissioner McRoberts commented that part of the challenge is that only two of these pillars are quantifiable. The ALS and the NFPA are easy to understand. The other two pillars are "gravy." He suggested building a story for the Council as to why the ALS and NFPA make sense, and then build benchmarks around the other two pillars.

Fire Chief O'Neill noted that Roseville's population balloons to 80,000 during the day, and the FD is still responsible for protecting those non-residents visiting or working in the City.

Chair Schroeder stated there was not as much urgency communicated as part of the original Council presentation as there should have. She stated it would be worth the FC's time to bring up this topic with the Council as well.

Continue Reviewing 2019-2038 Capital Improvement Plan (CIP)

Commissioner Bachhuber reported on his communication with Public Works Director Culver about the PW department budget overruns. He has been very responsive in sending information. The couple of things that caused the budget overrun was that the City spent \$1.3 million in and around Rosedale. These funds are to be repaid by Rosedale at an interest rate of 5%. They used

that PNP fund as the piggy-bank for things like that. Therefore, the money came out of the fund for those improvements, and the fund will be paid back by the property owner. The same thing happens by the MSA; the City fronts the money and it is paid back at the completion of the project, which can be up to 12 months.

Commissioner McRoberts asked about the approval process for that type of funding.

Commissioner Bachhuber responded he is not sure how the process works.

Finance Director Miller indicated he is not aware of any specific policy. The City agrees to manage the project, and the agreement is the reimbursement will happen at the end of the project. He noted that the Council approves every penny of every project. How much of a discussion about whether a fund can handle a temporary loan for a period of time, the Council has not gotten deep into that. But as part of this process of evaluating the sustainability of that fund, the conversation will grow. It was different when the fund was \$13 or \$14 million, and now it is down closer to \$8 or \$9 million.

Chair Schroeder asked the length of the payback period.

Finance Director Miller responded it is probably a 15-year payback period, as that is what assessments are. The \$800,000 balance on assessment loans has been stable for the past decade.

Chair Schroeder asked if the loan repayments are included in the graph.

Finance Director Miller responded they are not included for the reimbursements for Rosedale in particular.

The Commission discussed how to find out the payment schedules for the Rosedale projects, since it is not included in the revenue.

Finance Director Miller stated the accounting term is a receivable. There is a public improvement contract that regulates the project.

Commissioner McRoberts asked what it securitized against.

Finance Director Miller responded it is a lien against the property.

Commissioner McRoberts stated the market rate for a business receivable is way above 5%.

Commissioner Harold indicated he will follow up with Public Works Director Culver to determine more details about the projected payback.

Chair Schroeder indicated that items 3 and 5 need to be discussed on the CIP, where the FC disagreed with the staff's recommendations. Additional information is still needed on the pavement management fund.

Commissioner Bachhuber stated he has a hard time transferring money out of the pavement management fund when it is already too low. If there is a decision to replace the parking lot, that money needs to come from somewhere else.

Finance Director Miller commented that the pavement management fund is in the hole, but not for 2019 and 2020. Twenty years from now, it has challenges. Thus, staff's recommendation is based upon using those funds.

Commissioner Bachhuber asked who is recommending the parking lot replacement.

Finance Director Miller indicated he is unsure if an outside third-party has studied the issue. He has only heard it from staff. Right now, the parking lot is scheduled to be replaced in 2019.

Chair Schroeder indicated she is unsure what the issue is, since the parking lot does not look that bad.

Finance Director Miller stated that staff will be making a presentation to the Council at some point, and they will have more details.

Chair Schroeder summarized that the FC is not in favor of transferring that money out at this time.

Commissioner Harold asked about the golf course funding, in terms of the internal loan that has been made

Finance Director Miller indicated the loan has not been made yet. Staff is waiting for the final numbers, which may take another 60 to 90 days.

Commissioner Harold asked about the source of the loan.

Finance Director Miller responded the Council tentatively agreed on the pavement management fund.

Commissioner Hodder asked about the total amount to be deducted from the pavement management fund in the next two years.

Finance Director Miller responded that what has been discussed is the \$350,000 + \$200,000 for the golf course.

Commissioner Hodder noted the FC has discussed the park dedication fees and using that for the golf course.

Chair Schroeder noted that is still on the list.

Commissioner Harold stated the FC has made its recommendation a few times on that. The pavement management fund was set up as an endowment, and the recommendation is to treat it as such. It should not be raided for other projects.

Commissioner Hodder stated if the pavement management fund falls below a critical level, it will be difficult to get it back up. Then the City will be looking at direct assessments for property owners. The concern is property owners will see their average taxes go up significantly to make those payments for improvements. He noted the City of St. Paul has dealt with the same issue, and now homeowners are seeing huge tax increases.

In response to a question by the Commission, Finance Director Miller noted there has not been interest charged on internal loans.

Commissioner Bachhuber noted that may be a discipline for the City to consider going forward.

Finance Director Miller indicated the FC has been consistent in its recommendations on keeping it an endowment fund. But the Council has not commented on it.

Receive Public Comments

Cynthia White, 2489 Churchill,

Ms. White indicated the finances on this topic are fascinating. As a resident and taxpayer and not a formal member of the Commission, it seems to be a transparency issue. If the endowment is there for a specific issue, and taxpayers do not know that the money is being taken out and used for something else, it is an ethical issue.

The Commission continued to discuss its current recommendation of maintaining the pavement management fund as an endowment.

Commissioner Harold asked if a separate recommendation should be made to not transfer money to the parking lot fund.

Commissioner McRoberts stated the policy needs to be revisited, because the recommendation may just be to stick to the policy.

Commissioner Reif concurred, noting the FC simply has to restate the existing policy and recommend the Council follow it.

Commissioner Harold made a motion, seconded by Commissioner Hodder, that the Council adhere to the policy regarding the pavement management fund and the endowment. **The motion passed unanimously.**

Commissioner Harold indicated he would update the numbers and the charts for the upcoming joint Council meeting.

Continue Discussion on Establishing a Cash Reserve Fund

Commissioner Harold stated he, and Commissioner Hodder met twice in June with Finance Director Miller to discuss the cash reserve fund. Those conversations are described in the staff report included in the packet. Bond ratings were discussed and the impact of bond reserves on those ratings. He specifically pointed out the low points that some of the funds dip to throughout the year. For example, the General Fund dips to around 10% in May or June. The Recreation fund dips down to 5% in June, and the Communications fund dips under 10% in June. As part of this discussion, it is important to be conscious of these dips when considering the sweeping policy.

The Commission discussed how to take into account the swings in cash flow from the various funds, when a sweep occurs. They considered the question of what happens when a sweep happens when the high reserve level has been exceeded, but then later the fund needs some monies back.

Commissioner McRoberts stated that the sweep will remove piggy-banking.

Commissioner Bachhuber stated sweeping will also create transparency about what money is available to spend.

Commissioner Harold stated it is difficult to understand the swings in the various funds, whether it is a revenue or expenses issue.

Finance Director Miller noted that the communications funding is quarterly. He can tell the FC what happened, but not necessarily why it happened. He does not think there is a lot of discretionary spending. These are day-to-day operating expenses, the majority of which are personnel. He noted he will have to create cash-flow charts for each of these 5 funds. This is not something he looks at on a regular basis.

Commissioner Harold suggested creating a simple table or a chart, as the focuses will be on dollars rather than on percentages, so visuals are not as important.

Discuss Topics for Joint City Council-Finance Commission Meeting

Chair Schroeder highlighted the items on the agenda so far: tax levy/budget; CIP; cash reserve policy; a draft fiscal note.

Identify Discussion Items for the Future Meeting

It was agreed the above items for the joint Council meeting will also be their topics for the next two FC meetings prior to that.

Adjourn

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Commissioner Bachhuber made a motion, seconded by Commissioner Harold to adjourn. **The motion passed unanimously.**

Meeting adjourned at 8:56 p.m.