

**Finance Commission  
Meeting Minutes  
October 8, 2019**

**Roll Call/Announcements**

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

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

**Commissioners Absent:** None.

**Staff Present:** City Manager Patrick Trudgeon

**Administer The Oath Of Office For Finance Commissioner Wanda Davies**

Chair Hodder administered the Oath of Office to Finance Commissioner Wanda Davies. The Commissioners introduced themselves to Commissioner Davies. Commissioner Davies reviewed her background with the Commission.

**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**

Commissioner Murray explained line 71 should be changed to: “each year that it makes sense to have the Council.” Lines 239 through Line 245 he asked if the sentence adequately explained Mr. Trudgeon’s thoughts.

Mr. Trudgeon indicated it was a little wordy but was his thoughts. He noted he would go back and change the wording a little bit to be more concise in his thoughts.

Commissioner Murray noted line 292 the words “turn over” should be one word. Line 300 should be changed to: “auditors have experience with a number of similar organizations ~~similar~~ and in this case...”

Commissioner Reif explained line 273 should be changed to: “The ~~city~~ city does try...”

Commissioner Sagisser explained on line 121 he thought that should be a question mark rather than a period at the end of the sentence. Line 78 should be changed to: "...was a short-term thing it would be different..."

Commissioner Harold moved, seconded by Commissioner Reif to approve the September 10, 2019 meeting minutes as amended. **The motion carried unanimously.**

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

Commissioner Harold explained from the last meeting a few recommendations have been added to the tracking report as well as updating it based on the joint meeting with the city Council.

Commissioner Harold noted for 2019-2, Parks and Recreation Operating Fund, the Council has received the Finance Commission recommendation and have seemed to indicate that the Council is waiting on a recommendation from the Parks and Recreation Commission before making a final decision. This will be tracked moving forward.

Commissioner Harold explained for 2019-3, Use of the Cash Reserve Fund, it seemed that the Council had the comment that the Council is looking more for a language in the Capital Investment Policy on how that sweep mechanism will be moving forward. It has been received by the Council but has been pushed back to the Finance Commission for further development of that recommendation.

Commissioner Harold indicated for 2019-4, Alternative Investment Options, this was presented to the Council and have asked the Finance Commission for further development specifically looking for a policy to bring back to them on exactly how the investment options would work and what fund and how it should be managed.

Commissioner Harold explained for 2019-5, Use of Cash Reserve Fund for EAB Program, the Council received the Finance Commission recommendation and is awaiting on a recommendation from the Parks and Recreation Commission before making a final decision.

Commissioner Harold explained the Capital Improvement Plan for the budget year 2020, 2019-6, Council received the Finance Commission's recommendation to follow the City Manager recommendation and he did not think there is much more action for the Finance Commission to take. He noted the same would be for 2019-7, 2020 Budget recommendation.

### **Review September 16 Joint Meeting Discussion Topics With The City Council**

City Manager Trudgeon explained the Council and Finance Commission discussed four separate recommendations during the joint meeting regarding the 2020 City Manager recommended budget and tax levy, 2020-2039 CIP funding strategies, Cash Reserve Fund, alternate options for the city's investment portfolio and whether to use Cash Reserve Funds for the EAB program.

Mr. Trudgeon noted the Council met with the Park and Recreation Commission at the last city Council meeting and talked about the EAB program and the Council agreed that the city needed to be doing something in regard to that and authorized the Parks and Recreation Commission to go out and get some additional information to the level of an RFP to get an understanding of what that program would look like and what those costs would be. The Council did not directly talk about where that funding would come and put that off until there is a better understanding of what the costs will be and how many years the program will need to run.

Commissioner Murray made a presentation on the US-Based Mutual Funds results from 2018. He noted he provided in the packet an investment policy which he reviewed with the Commission:

- **The City of Roseville shall follow applicable state law regarding the investment of funds with either the state board of investment or an index fund.**

Commissioner Murray was not sure if there was somewhere in the Investment Policy that the city shall follow State Law, but he thought it should be stated.

Mr. Trudgeon indicated it was referenced in several areas.

- **Investments shall be done by the finance director. The City Manager is to be kept currently informed of investment activities.**

Commissioner Murray indicated in the Investment Policy it does reference internal controls, but it is kind of vague. He was not sure how fixed the city wants the control to be as to what the Finance Director is monitored with. He noted he would leave that alone.

- **No more than 20% of available investable funds shall be invested in an index fund or with the state board of investment, unless city Council temporarily approves of a higher limit as allowed by state law.**
- **Investment in an index fund, shall be a broadly-based mutual fund. The index fund shall have fees of no more than 1% per year of invested assets, and no more than 15% turnover per year.**

Commissioner Murray indicated the last two points come from his presentation. The city would be looking for low asset turnover and low expense ratio. He noted the city is allowed by State Law to go to 25% in an index fund, but he thought the city should set a little lower threshold than that unless the city Council signs off on it.

Commissioner Davies indicated she was confused regarding the type of index fund and wondered what type it is mirroring.

Commissioner Murray thought the city law says Broadly Based Index Fund.

Commissioner Davies asked if that included both fixed income and equity.

Commissioner Murray explained this would be equity based only because the city is already invested in fixed income and limited to US Treasuries and Government Agencies right now.

Commissioner Sagisser asked if Commissioner Murray had a recommendation of the percentage to invest.

Commissioner Murray indicated he would stick to 20%. He explained he talked to the previous Finance Director and agreed this should not be thrown in all in one chunk, it should be brought in in phases.

Commissioner Sagisser thought that should be added to the policy and made sense.

Commissioner Reif thought Commissioner Murray talked to some other Municipalities to get some input from them.

Commissioner Murray indicated he did and the only two entities doing this now that he was aware of were The Minnesota League of Municipalities and also the City of Woodbury. He noted the City of Woodbury apparently is happy in the Vanguard fund.

Commissioner Davies wondered if the city was going to go with the 20% and giving the 5% as a margin in case money is needed to be pulled out of the reserve fund, then should there be something in the policy that states if this temporarily goes above 20% that the city does not instantly have to sell to bring it back to 20%. She thought that was the reason to have a lower number.

Commissioner Murray thought the city had approximately thirty-five million dollars investible.

Mr. Trudgeon thought if the city did get above 20% it could find itself in a position that would not be in the city's best interest to sell right away. The Staff would probably go to the Council and ask for dispensation and as soon as possible try to get this back to 20%.

Commissioner Davies agreed.

Commissioner Harold wondered if there should be language instructing when it should be rebalanced back to the 20%. He indicated volatility is introduced when money is put into an equity fund. There is an unknown factor in this and he thought some language about when to rebalance, he did not know if the State Law is even that specific, but if the city has a banner year and it goes up 18%, which is not necessarily out of the realm of possibility that if all other things remain equal at 20%, it could rise to the level of exceeding 25% just by letting it ride.

Commissioner Sagisser wondered if there should be a stop clause in the policy indicating when to stop putting money in.

Commissioner Harold thought there should be a rebalancing factor in place just like someone personally would do with the investments.

Commissioner Murray wondered if the language could read “rebalanced as appropriate”.

Mr. Trudgeon indicated staff is in the process of reaching out the Woodbury to look at their policy and see what Woodbury may have and how it is used.

Commissioner Murray thought that would be prudent.

Mr. Trudgeon suggested if these basic premises are ok, staff can start working on putting that language into this policy, such as 20% could be added to “Portfolio Management”.

Chair Hodder thought the second piece of the suggested language could be inserted into “Internal Controls”.

Mr. Trudgeon agreed and thought staff could build off of that and bring something back based on Commissioner Murray’s draft and input at this meeting, as well as other stuff and then have the Commission review it. He thought that whoever the city gets as the new Finance Director could weigh in on this a little bit before finalization for the city Council.

### **Review The Preliminary 2020 City Council-Adopted Budget And Tax Levy**

City Manager Trudgeon explained at the September 23, 2019 city Council meeting, the preliminary 2020 Budget and Tax Levy were adopted. He noted the Council did pass the preliminary Budget and Levy. There was one change he made to this since the last Commission meeting. He lowered the Levy and Budget by \$96,880. That was reduction of funding for one Police Officer and the Commitment to Diversity Program. The total Levy increase was lowered from 5.5% to 5.1%. Conversations will continue and the final decision will be made at the December 3<sup>rd</sup> City Council meeting for the 2020 Budget and Tax Levy.

Mr. Trudgeon noted the 2020 EDA Levy was also approved at the same meeting and that has stayed flat and is actually ten thousand dollars less than 2019 and for the median value home there has been no change.

Mr. Trudgeon indicated no formal action is needed.

### **Review The 2020 Proposed Utility Rates**

City Manager Trudgeon explained the Commission is asked to review the 2020 proposed utility rates changes and submit a recommendation to the City Council for review at their November 4, 2019 City Council meeting.

Chair Hodder asked if new developments would be responsible for most hookups.

Mr. Trudgeon explained developers are responsible for installation of whatever the infrastructure is, but the city is responsible for the long-term maintenance.

Commissioner Davies asked if the city has seen significant increases due to the increase in rain over the years.

Mr. Trudgeon indicated the problem areas where flooding has occurred in the past has been exacerbated tremendously. There is a terrible issue under Hwy 36 and Fairview and will flood temporarily with any substantial rain. He has been told the fix will be millions of dollars because it affects everything around it, so the city has tried to make incremental improvements. This is really about the flow and the system being over capacity.

Mr. Trudgeon reviewed the Recycling Utility with the Commission.

Chair Hodder asked if the recycling companies are looking at producing energy with the items that are not recyclable.

Mr. Trudgeon indicated Ramsey County and Washington County have facilities in Bayport that will do that and be able to take some of the trash and recyclables to convert into energy and should be up and running by 2020.

Mr. Trudgeon explained the recommendation is to go to from \$7.15 to \$9.00 per quarter for recycling fees per Single Family Home for 2020.

Commissioner Reif thought this looked reasonable.

The Commission agreed.

Chair Hodder thought the city did not want to be in a position where it is not charging enough to cover the costs.

Commissioner Davies moved, seconded by Commissioner Reif to accept the recommendations as proposed. **The motion carried unanimously.**

### **Identify Discussion Items For Future Meetings**

Chair Hodder asked when the Commission discussed the CIP and gave recommendations to the City Council, was it approved with the recommendations as far as the charts laid out as a Commission as far as how the Commission wanted to see the funds stabilized over time.

Mr. Trudgeon indicated the city Council has not approved any CIP at this point, that will happen in December and the Council has taken the recommendation under advisement. Staff also had a similar recommendation.

City Manager Trudgeon reviewed with the Commission the November proposed agenda including:

- Adopt 2020 Meeting Calendar
- Adopt 2020 Work Plan
- Investment Policy Review
- Cash Reserve Fund Discussion
- Discuss potential tours with new Commissioners (December meeting)

**Adjourn**

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

Meeting adjourned at 7:46 p.m.