

Finance Commission Meeting Minutes November 13, 2018

Roll Call/Announcements

The Finance Commission (FC) meeting was called to order at 6:30 p.m. Finance Director Miller called roll call and indicated both Chair Schroeder and Vice Chair McRoberts were out of town.

Commissioners Present: John Bachhuber, Matt Harold, Edwin Hodder, John Murray, and Jack Reif

Commissioners Absent: Robin Schroeder, Malcolm McRoberts

Staff Present: Finance Director Chris Miller

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 Reif indicated he had a couple of small corrections. Line 111, “Commissioner McRoberts asked ~~one~~ once installed...”. Line 139, the word is should be inserted between City and standard.

Commissioner Hodder stated on line 407 change ~~soon~~ to sooner. Line 475, “He stated the County also has a share of the tax increase ~~did their part~~...”.

Mr. Miller stated on line 312, “Councilmember that was ~~comfortable~~ uncomfortable with...”. Line 368, the date should be December 3, 2018.

Commissioner Reif moved, seconded by Commissioner Harold to approve the October 9, 2018 meeting minutes as amended. **The motion carried unanimously.**

Review Finance Commission Recommendations Tracking Report

Finance Director Miller stated Commissioner Harold had some changes to the tracking tool. He asked Commissioner Harold for his changes.

Commissioner Harold stated he supplemented the Discussion and Next Steps for a couple of the items to reflect what the Commission discussed with the joint meeting specifically with the Priority Ranking Implementation. He also added information to 2018-5 which is a split off the cash reserves recommendation which he thought the entire Commission agreed to move forward with separating City funds for 2019.

The Commission did not have any additional comments to add.

Continue Discussion on CIP Categorization & Review Process

Finance Director Miller stated this is continued discussion on CIP Categorization and Review Process. He reviewed the information in the November 13, 2018 meeting packet. He thought the Commission should go back and look at some of the objectives the Commission had in mind at the beginning of this item and also reflect on the Council comments that were shared at the September meeting. He thought there were a lot of interesting comments made about some intrigue about what the Council liked and some questions the Council had about the process. There was also some uncomfortableness with some of the pieces when it came to committing to some of the CIP purchases in advance as part of strategic planning or priority process or some kind of an annual workplan. The Council wanted to reserve some judgement for any final decisions on what gets approved and what doesn't until later in the process and that is part of the over \$5,000 report. He stated with the Council feedback the Commission's direction changes a little bit and in some ways a lot of what the Commission was trying to achieve. He thought it might be healthy to go back to the original objectives to see if anything has changed and with what the Commission has recommended to the Council and what the Council is agreeable and not so agreeable to whether or not the Commission is still hitting the mark from what the Commission originally intended.

Mr. Miller noted as he looked back to where the conversation started and Commissioner Bachhuber's comments, there was a recognition early on of a gap in the CIP in the financing. There was also recognition that part of the strategy to bridging that gap is to prioritize the CIP in a more transparent deliberate process. There was also a third objective or idea that some things were not included in the CIP that perhaps the Commission would have liked to see. Or, maybe there are things that had large impacts on some of the City's assets that did not get the level of public dialogue the Commission thought it should have, such as the acquisition of the strip center where the license center sits, the Cedar Holm Golf Course and what that eventually became even though it was flagged in the CIP, and what eventually got built was envisioned to be something different in the end.

Mr. Miller stated in the staff report, he posed a couple of questions about whether the Commission still feels the objectives are what the Commission is trying to seek or has that evolved and morphed into something different. He wanted the Commission to feel good about what the group is doing and feel progress is being made to whatever the objective is today noting maybe that will help focus what path the Commission takes moving forward. He stated the Commission connected with the Council on this topic but there are still some elusive pieces that

he thought the Commission will need, may be a slightly different avenue in order for the Council to see the same vision the Commission is seeing.

Commissioner Harold stated his insight is the funding gap has gotten better over the last few years and is not as urgent of a need that he was thinking the policy would try to address. He stated throughout discussions when looking at the capital spending as a whole, this last year or two may have been more of an anomaly but the large one-time spending by the City is a significant use of resources the Commission felt is spending every year reviewing these CIP projections and plans and discussing how the City is going to make up for perhaps a half million dollar funding gap in the same time the City is spending multiple millions of dollars of one time spending. He thought it feels like this is not receiving the same public due diligence and he thought that some of these things had to be done behind closed doors just due to privacy reasons but there is a significant public interest in having a more transparent and open process with some of the one-time spending. To him that is the most important part of this recommendation.

Commissioner Bachhuber indicated he did not disagree. He stated originally the Commission was looking at the funding gap and trying to figure out how to prioritize in order to close the gap. The fact that the gap is in better shape does not really take away from the importance of some other things indicated about having consistent processes and documentation across projects, providing that transparency, and creating a way for the Council to evaluate. To him, the CIP process still feels like at the Council level, a report that is accepted moves on. He did not sense a lot of discussion. He hoped the Commission was creating elements in ways that the Council could provide some evaluation and possibly weigh in as opposed to just focusing on how the projects are funded. He encouraged thinking about if what the Council is seeing is at the right level or should there be a higher or lower level of Capital Investment.

Commissioner Murray asked Mr. Miller how long the \$5,000 threshold has been in use.

Mr. Miller indicated it has been in place since 2003.

Commissioner Murray thought the \$5,000 figure is moving down all of the time due to inflation and the Commission's objective of trying to remove some of the burden off the Council using a realistic number is not unreasonable. If nothing else, he thought the Council needed to adjust the amount for inflation.

Commissioner Harold agreed but thought of all of the items the Commission brought up to the Council that was the one item the Council had the most trouble with changing.

Commissioner Murray thought it was a little bit of an attitude issue as well.

Mr. Miller stated the concept of adjusting that number has come up several times since 2003 and each time the Council chose to leave it alone.

Commissioner Harold thought as part of what the Commission is proposing, if the Commission could get everything else besides the \$5,000 level that was still worth doing and would be an accomplishment.

Commissioner Bachhuber agreed and thought the Council wanted to be transparent so by having it in the consent agenda, every item gets listed when purchased and the Council does not actually spend time on reviewing each item. But, it is documented so any citizen could see what was purchased at any given time.

Commissioner Hodder indicated he was okay with the \$5,000 and the transparency process is important. Due diligence, when big projects come up, is also important. He thought if the City could achieve the two objectives that would be a good thing.

Mr. Miller stated he was hearing that the Commission wanted a consistent process and a consistent presentation format of major CIP items or components above and beyond what the City is currently doing, is still of public value. And, if that helps guide the Council's priority decision making and added transparency, then there is still value in pursuing that, whatever that looks like eventually.

Commissioner Bachhuber stated when he was reflecting on this, in many ways, what the Commission had listed as category one and category two, category one being replacement policy and category two being items that are in part of the strategic plan, he would say to a great degree the City already has a process around that and he thought the CIP essentially does that. There may be a question of would the Commission suggest changing the way things get expressed or adding more detail or not. To him, the biggest gap is category three. He stated if the Commission were to pick things off and decide to do one thing over another, his suggestion would be for the Commission to tackle category three and put together a proposal or fiscal note around what the Commission would suggest the Council should see and what kind of evidence the Council should have before making a decision on a non-routine significant purchase, with the Commission defining what a significant purchase would be.

Mr. Miller stated some of the Council's comments indicated that policy discussion on those non-routine, big ticket items might happen outside of the CIP process because it might be a situation where something is not even identified in the CIP. So, there is no process to talk about it until it is needed. He asked the Commission if that was a change to the CIP process, how the CIP is reviewed, or is it something different.

Commissioner Harold thought it was different. He stated in reviewing the Capital Investment Policy, the second paragraph specifically excludes major new facilities and other one-off spending, which is what the Commission is talking about. He looked at Capital Investment separate from the Capital Improvement Plan. He was sure that for the majority of one-off spending, the City does not have a one to twenty year look ahead. He thought it was still important to develop some sort of a policy to increase the transparency and thought process that goes behind those purchases and the Commission could easily amend the Capital Investment

Policy to address that. He did think it would be of value to amend the Capital Investment Policy to reflect how the City wants to invest its capital with one-time major expenses.

Commissioner Hodder thought some guidelines and criteria could be developed around this so when there is a one-off purchase, there would be a framework to discuss where the value is to the City. He thought it might help for transparency to see what those big one-time projects look like when the project is being evaluated.

Commissioner Murray stated Commission Harold has talked many times about return on investment and if the City is dealing with roads and bridges and things the State does, it can be modified fairly well. But, certain things such as technology are quantifiable in terms of investment but other things like parks is very subjective. He did not know how a number could be put on it and thought that is the reason there is a City Council, to determine policy.

Commissioner Harold thought it was important to capture, that it is a not a return on investment, but it is a factor in determining what the long-term, on-going cost implications are of the asset.

Commissioner Murray stated he was not saying the City should not consider them at all, but the Council needs some prerogatives to do what they think citizens want.

Commissioner Harold agreed.

Commissioner Hodder stated with a park, you would get a value of life and there are other things to value when looking at the City's return on the price.

Commissioner Murray stated the City needs to look at how much a park would cost but he did not know how it could be quantified. He wondered how a park's worth could be determined.

Commissioner Harrold stated a park may not be able to be quantified but new construction costs and projected future costs to both operations could be quantified. He stated a new park will require new maintenance workers with more hours and the park will require upkeep. All of those costs are going to come ten to twenty years down the line and as more things are built, there will be more maintenance required to maintain them. He thought it was important to at least document and capture those expected costs when making decisions.

Commissioner Bachhuber stated another thing he would like to see captured on the park example would be what are the opportunity costs and what property taxes would be lost, etc. He thought the City needed to be aware of the true costs of the acquisition.

Mr. Miller stated with this discussion, what was presented to the Council at the joint meeting in September has now evolved or morphed into something different, which is maybe going back to the Capital Investment Policy and tweaking that to provide some guidance on how the City might frame up these one-time infrequent, non-recurring asset transactions which would include some kind of financial proforma, even if it does not have a revenue source, an assessment of the acquisition cost, construction costs, plus the on-going cost for some period of time.

Commissioner Harold asked if staff does a projection for the on-going costs.

Mr. Miller stated for the golf course, early in the process, there was a projection of what the expected revenues and operating costs were. He did not know if a lot of time was spent on it.

Commissioner Bachhuber stated having a standard template is important if the item is not going to be in the public view. That way, there could be confidence on the public's part that when the Council is considering it, if it is a part of policy, those elements are coming into the room in a way. There is confidence that a process is being followed.

Mr. Miller noted Chair Schroeder and Vice Chair McRoberts have not been heard from on this item. He asked if the Commission wanted to continue discussion to the next meeting or to start framing up what revisions to the Capital Investment Policy might look like.

Commissioner Bachhuber thought it made sense to continue this item to the next meeting for more input.

The Commission agreed.

Adopt 2019 Meeting Calendar

Finance Director Miller stated the Commission is asked to establish a 2019 meeting calendar to allow for advanced public notification of scheduled meetings and to help guide the development of an annual work plan.

Commissioner Bachhuber made a motion, seconded by Commissioner Hodder, to establish the 2019 monthly Meeting Calendar for the second Tuesday of each month. **The motion passed unanimously.**

Adopt 2019 Work Plan

Finance Director Miller stated the Commission is asked to establish a 2019 Work Plan to allow for advanced public notification of the various topics scheduled for review and discussion. An annual work plan also aids in the scheduling of future agenda topics.

Commissioner Bachhuber stated if a meeting agenda was going to be light, he would rather cancel the meeting and have a longer meeting the next month versus many meetings with little content.

Commissioner Hodder thought the only thing that should be added was the utility rate discussion, which the Commission periodically holds.

Mr. Miller noted this will be brought back to the December meeting.

Identify Discussion Items for the Future Meeting

Chair Schroeder stated the next agenda would include discussions on the Work Plan and the CIP revisions.

Adjourn

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

Meeting adjourned at 7:23 p.m.