

Commissioners:

Siafa Barclay
Bruce Bester
Sadiq Dahir
Wanda Davies
Sandra Klein -
Hegge
John Murray
Dan Sagisser

**Finance Commission Agenda**

Tuesday, November 15, 2022

City Council Chambers

6:30 pm

Address:

2660 Civic Center Dr.
Roseville, MN 55113

Phone:

651-792-7002

Website:

www.cityofroseville.com

1. 6:30 P.M. Roll Call / Announcements
2. 6:35 P.M. Receive Public Comments
3. 6:40 P.M. Approve Meeting Minutes

Documents:

[ITEM 3 - MINUTES.PDF](#)

4. 6:45 P.M. Receive Finance Commission Recommendations Tracking Report

Documents:

[ITEM 4 - TRACKING REPORT.PDF](#)

5. 6:50 P.M. Review Government Budget And Financial Processes

Documents:

[ITEM 5 - REVIEW GOVERNMENT BUDGET AND FINANCIAL PROCESSES.PDF](#)

6. 7:30 P.M. Staff Update
7. 7:40 P.M. Identify Discussion Items For Future Meetings

Documents:

[ITEM 7 - ANNUAL_WORKPLAN_2023.PDF](#)

8. 8:00 P.M. Adjourn

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 10, 2023
Re: Item #3: Approve the Minutes from the November 15, 2022 Meetings

Background

As an advisory commission to the City Council, the Finance Commission's discussions and recommendations play an important role in setting City policies and influencing decisions on programs and services.

To ensure an accurate historical account of the Finance Commission's activities are preserved, the City maintains a practice of keeping meeting minutes. The attached file contains the draft minutes from the November 15, 2022 meeting. The Commission is asked to review the minutes and identify any typos, errors or inaccuracies of the discussion that took place.

Where applicable, Commission members are asked to identify any necessary corrections at the meeting. The Commission should subsequently vote to approve the amended (if necessary) minutes. Once the minutes are approved, they become part of the City's permanent records.

Staff Recommendation

Review the draft minutes.

Requested Commission Action

Amend (as necessary) and approve the Finance Commission meeting minutes for the November 15, 2022 meeting.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Draft Minutes from the November 15, 2022 Finance Commission Meeting

[illegible]

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

Commissioners Absent: Siafa Barclay, Sandra Klein-Hegge and Sadiq Dahir

Receive Public Comments

Approval of Meeting Minutes

Commissioner Bester moved, seconded by Commissioner Sagisser to approve the October 11, 2022 meeting minutes as amended. **The motion carried unanimously.**

Commissioner Bester reviewed the Finance Commission Tracking Report.

Adopt 2023 Meeting Calendar

Commissioner Sagisser moved, seconded by Commissioner Murray to adopt the 2023 Meeting Calendar. **The motion carried unanimously.**

47
48 **Adopt 2023 Work Plan**
49

50 Finance Director Pietrick reviewed the 2023 work plan with the Commission.

51
52 Commissioner Bester moved, seconded by Commissioner Sagisser to adopt the 2023 Work Plan,
53 removing the planning of the joint meeting in February 2023. **The motion carried**
54 **unanimously.**
55
56

57 **Discuss Internal Loan Balance**
58

59 Finance Director Pietrick explained in 2018 the City purchased the shopping center at 2719
60 Lexington Avenue. To accomplish this purchase, \$1.5 million of funds were loaned from the
61 Pavement Management (PMP) fund and a receivable was recorded. The sale of the former fire
62 station on Fairview was seen as a way to repay this loan, hence the interfund loan receivable and
63 payable were recorded. The former fire station was sold and \$1,233,171.30 was received on
64 February 28, 2022 and the internal loan has been reduced to a remaining balance of \$266,828.70.
65

66 Ms. Pietrick reviewed the information with the Commission and instructed the Commission to
67 discuss alternatives for addressing the remaining interfund loan balance. She noted staff would
68 recommend either using the Excess Cash Reserve fund or the General Fund reserves to repay the
69 PMP fund. Staff is also willing to leave the receivable sit in the PMP fund until the fund needs
70 the cash.
71

72 Chair Davies did not see any reason why not to clean it up. She asked if there was a reason to
73 leave it there.
74

75 Ms. Pietrick indicated she would prefer to clean this up before the end of the year.
76

77 Commissioner Bester asked if this put the City in any kind of jeopardy with the cash positions,
78 general fund cash or does it help.
79

80 Ms. Pietrick indicated the City is at roughly forty-seven percent right now through the end of the
81 year and the City also has excess money in the excess cash reserve. Some of that is being used
82 for the 2023 budget.
83

84 Chair Davies indicated her preference would be to take it out of excess cash reserve fund. She
85 asked if the PMP fund is running out of money.
86

87 Ms. Pietrick indicated there is enough money in the PMP fund for approximately ten years'
88 worth or projects, if not longer. It would make that fund whole cash wise.
89

Commissioner Murray thought transferring the funds would be the way to do it. He noted he emailed Chair Davies that this problem should not have occurred because he thought the Council should look ahead and if something is going to be done, funding for it should be provided.

Chair Davies wondered how the shortfall happened.

Commissioner Murray reviewed the history of this shortfall with the rest of the Commission.

Ms. Pietrick reviewed with the Commission the purchase of the shopping center and the intention of the City for the purchase.

Commissioner Murray made a motion, seconded by Commission Sagisser to transfer funds from the Excess Cash Reserve fund to the PMP fund. **The motion passed unanimously.**

Staff Update

Vice Chair Sagisser asked for an update on the local sales tax initiative at the Legislation.

Ms. Pietrick reviewed the initiative and what the City Council would like to use the local sales tax monies for.

Chair Davies asked if the City Council has had any additional hearings on the budget.

Ms. Pietrick indicated the public hearing will occur on November 28th. She indicated staff has narrowed the choice of financial systems and hoped to bring that to the Council at the December 5th meeting. She reviewed the choices and timeline with the Commission.

Adjourn

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

Meeting adjourned at 7:14 p.m.

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 10, 2023
Re: Item #4: Review Finance Commission Recommendations: Tracking Report

Background

A summary of the Finance Commission's recent recommendations submitted to the City Council is included in *Attachment A* for review. The report has been updated to reflect items that have been closed or added per Commissioner Bester.

Staff Recommendation

Not applicable.

Requested Commission Action

For review and discussion purposes only. No formal Commission action is necessary.

Prepared by: Michelle Pietrick, Finance Director
Attachments: A: Tracking Report

**Roseville Finance Commission
Recommendation Tracking Report
Report Date - January 10, 2023 (Year End Report for 2022)**

No.	Recommendation	Description	Date Recommended	Date Presented	Status	Discussion and Next Steps
2022-01	Expanding Investment Policy Language to permit limited use of equity investments	Proposal to permit Finance Commission to bring to the City Council for consideration - expanded policy language for limited equity based investments.	2/8/2022	2/14/2022 4/11/2022 4/25/22	Implemented	Initial proposal presented to Finance Commission 2/8/22. Request for consideration presented to City Council 2/14/22. Draft of proposed policy to Finance Commission 3/15/22. Proposed policy draft presented to City Council 4/25/22 - Approved.
2022-02	1. Transfer funds from Excess Cash to PMP 2. Transfer funds from Genl Fund to PMP 3. Increase taxes to pay loan. 4 Keep receivable until PMP needs cash	How to handle remaining \$266,829 interfund receivable/payable with respect to PMP funds used for purchase of Shopping Center at 2917 Lexington.	5/10/2022	5/10/2022	Implemented	First discussion at Finance Commission meeting 5/10/22. Tentative consensus to keep the receivable/payable for now, and revisit before end of year. Next discussion 11/15/22, where it was agreed to transfer funds from Excess Cash to PMP to close this item.
2022-03	Finance Commission endorses the changes proposed by Finance Director including suggested reserve for Street Infrastructure, capital asset threshold, higher cost additions, and definition of fee supported.	Periodic review of the Capital Investment Policy	7/12/2022	7/12/2022	Implemented	Present the revised Capital Investment Policy to the City Council for consideration and potential approval on 9/19/22. Approved 9/19/22
2022-04	Finance Commission commends City Manager and Finance Director for excellent work and information contained in proposed budget for 2023. Finance Commission recommends that the proposed 7% Levy be reduced to 5-6%	Finance Commission recommendation to City Council regarding the City Manager recommended budget and proposed tax levy for 2023.	Finance Commission Meeting 9/13/2022	City Council Meeting 9/19/2022	Implemented	Review and discuss any updates from City Council at Finance Commission meeting of 10/11/22. Budget draft as of 11/15/22 stands at 6.6% levy increase. Budget approved 12/5/22
2022-05	Finance Commission endorses and recommends approval of utility rates recommended by Ehlers.	Increase 2023 Utility Rates as follows: Water Fund 8%, Sanitary Sewer 2%, Recycle 8%, Storm drainage 33% subject to receipt of additional information	Finance Commission Meeting 10/11/2022	10/11/2022	Implemented	Finance Commission recommends approval of Storm Drainage increase of 33% subject to receipt of more information about what is being purchased, and the consequence of not adjusting rates as proposed.
2022-06	Finance Commission recommends that one year of the retro corrections be billed to the affected users.	Discovered tiered water rates had error on larger users. Error is corrected going forward. How to handle underbilled amounts.	10/11/2022	10/11/2022	Implemented	Discussion and potential decision making at City Council meeting of 10/25/22, where it was approved to pursue all underbilled amounts. Letters will be sent to all concerned by 11/30/22.

Roseville Finance Commission
Recommendation Tracking Report - Definitions

Status	Definition
Pending	Recommendation has not yet been presented to the City Council
Received	Recommendation has been received by the City Council but has not received a formal reply or action
Accepted	Recommendation has been accepted by the City Council but action has not yet been taken
Rejected	Recommendation has been rejected by the City Council and will not move further
Implemented	Recommendation has been accepted by the City Council and action has been implemented
Rescinded	Recommendation has been rescinded by the Finance Commission
Received - Closed	Recommendation has been received by the City Council but has not received a formal reply or action and will be considered closed from future updates tracking.
Received - Further Development	Recommendation has been received by the City Council and returned to the Commission for modifications or further development.

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: January 10, 2023
Re: Item #5: Review Government Budget and Financial Processes

Background

As we start the year, I thought it would be useful to review government budget and financial processes.

The city has 15 reporting funds in the Annual Comprehensive Financial Report (ACFR), several funds get rolled up into the individual columns. The city uses individual funds for tracking revenues and expenditures that may be restricted and are not comingled with other funds.

General Fund

The General fund is the main operating fund of the city. The main sources of revenue in this fund are property taxes, Intergovernmental revenues (State Aids and other grants) License and permits, Charges for services and other minor revenues. These revenues support the general city functions of General Government (City Council, Administration & Human Resources, Elections, Finance, City Attorney, general insurance and central services); Public Safety (Police and Fire); and Public Works (PW Administration, Streets, Central Garage, Building Maintenance, and Street Light operations).

Special Revenue Funds

The City has several special revenue funds where the revenues are restricted to specific functions. These funds may have property tax support (Recreation) but generally have other sources of revenue-namely intergovernmental revenue and charges for services. Recreation, ARPA and Community Development were the major special revenue funds in 2021. The ARPA and Community Development funds are restricted to only those expenditures allowed under those programs. Other minor special revenue funds are reported in the other governmental funds column in the ACFR. These funds are for Information Technology, Communications, License Center, Charitable Gambling and the EDA.

Debt Service Funds

The City has Debt Service funds that accounts for property taxes levied and principal and interest paid on the city's outstanding bond issues.

Capital Project Funds

The City has three major capital projects funds, which are a compilation of other capital funds that the city uses to track various projects.

- The Revolving Improvements fund summarizes all revenues and expenditures for the Park Dedication fund; the Vehicle and Equipment funds (Police, Fire, Parks & Rec, Public Works, Finance, Admin, Central Services); the Street Light Replacement fund, Pathway Maintenance fund, Building Improvement fund, Park Improvement fund, Boulevard Landscaping, and 2719

Lexington fund. Revenues and reserves in these funds can only be used for capital expenditures. These funds will grow reserves over time which are then expended for specific projects as outlined in the Capital Improvement Program.

- The Economic Increments Construction fund accounts for all Tax Increment Financing Activity of the city. These funds are legally restricted and can only be used for public expenditures within a specific tax increment district.
- The Street Construction fund accounts for the pavement management program including both property tax and municipal state aid funded street projects.

Proprietary Funds

The City also has five proprietary funds which operate similar to individual enterprises. The source of revenue is user charges. The revenues generated are expected to cover operations and generally capital projects as well. These funds are the Sanitary Sewer, Water, Storm Drainage, Solid Waste Recycling and Golf Course. Unlike the governmental funds (General, Special Revenue, Debt, and Capital) these funds are accounted for using the full accrual methodology, which is why you will see Capital Assets, Bond Payments and Depreciation expenses within these funds. These funds do budget transfers out to the General Fund to cover the costs for space and administrative services received from the General Fund departments.

The city's financial books are not closed until March of the following year. This allows time for posting back the expenses incurred in 2022 but not billed until 2023. Payroll expenses for time worked in 2022 but paid in 2023 are also posted back to the 2022 expenses. Utility bills are issued quarterly for each of our three districts, so the 2/3 of the January 31 bills get recorded back to 2022 as revenue and 1/3 of the February bills are recorded back to 2022 as this is when the water was used. These accruals are normal and are done to properly match revenues and expenditures. There are certain other year end entries that we make to insure the accuracy of the financial statements including market value adjustments for investments, other post-employment benefit liabilities, and pension liabilities that we are required to record based on government accounting standards. The last entry that is made is based on the excess cash reserves analysis which goes to the City Council in March and the Finance Commission in April. The audit reports and ACFR are presented to the Council and Finance Commission in May-June and are submitted to the Government Finance Officers Association (GFOA) by June 30th each year. The city has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for 43 consecutive years.

Budget Processes

The budget process starts with the analysis of cash reserves from the most recent audit, specifically the excess cash reserves. The 2021 audited reserves were used in the 2023 Capital Improvement Plan and in the 2023 City Budget. A city budget is a financial plan that is a snapshot in time of city activities and services supported by discrete city funds for the coming year. Roseville starts the process very early compared with other cities, this allows for more refinement along the way.

Capital Improvement Plan - We start with the Capital Improvement Plan (CIP) which is a 20 year plan which helps identify not only the capital expenditures for the coming budget year but also helps identify whether future revenues increase will be needed. The capitalization threshold is \$10,000, some departments have items below this amount listed in their equipment funds. Capital projects can be large in nature and/or infrequent expenditures. The City funds their various general government CIP funds through property tax levy, municipal state aid (for streets), other intergovernmental revenues and

strategic use of reserves. The annual surplus (deficit) shown by fund demonstrates how we try to build reserves to then pay for a specific large project or piece of equipment. The City has taken the position that it would prefer to utilize cash reserves rather than issuance of debt to pay for the majority of capital projects. Occasionally, the projects are too large or the fund has insufficient reserves, so then the City will look to issue bonds which provides the cash to pay for the project which is then repaid over time – time period being less than the useful life of the asset. This reflects good financial planning and prudence in balancing borrowing versus using cash to pay from projects.

City staff start developing the CIP in March each year and starting with the 2022 CIP, staff were instructed to start factoring in inflation to their costs, for those items that are large and subject to fluctuation. Example of this would be vehicles. What a police car or plow truck cost five years ago is not what we are currently paying for those vehicles. The preliminary CIP projects and estimates are submitted by mid-April at which time the City Manager and Finance Director review and discuss whether there are available resources, or if additional tax levies will be needed or if some projects may need to be deferred. The City Manager and Finance Director discuss alternatives with the department heads for their input prior to finalization of the preliminary CIP. The draft CIP is reviewed by the Finance Commission in June and July and by the City Council in July. The first year of the 2023-2042 CIP was included in the 2023 City budget for each fund. There may continue to be refinements and deferment of projects in the CIP as the budget year continues.

Annual Operating Budget - The operating budget starts internally in April and Department Requested budgets are submitted in early May. The Finance Director prepares the various summarization reports for the City Manager to review. The City Manager reviews the requested budget and meets with the Department Heads in June to understand the priorities and also to start determining what he can or can't support moving forward, specifically looking at the total property tax levy impacts. The City Manager continues refining the budget until he arrives at his recommended budget which he presents to the City Council in August and the Finance Commission also receives this in August. One of the impacts that we historically present is the impact to the median valued residential property. Historically we received all of the data that we need to perform these calculations from Ramsey County by mid-August. The past two years, the County has struggled to meet these dates. The Ramsey County cities are trying to encourage the County to get this data released earlier in August. For 2024, we may not be able to present this impact in August.

The Finance Commission receives the City Manager Recommended Budget and Tax Levy in August and has the opportunity to establish a recommendation to the City Council in September prior to the City Council taking action on the Recommended Budget. The Commission has opportunity to make recommendations on the CIP in July, August or September. The City Council must approve a preliminary budget and property tax levy no later than September 30 of each year, as required by statute. The final budget and levy can go down, but can't increase from the preliminary levy, except in the rare occurrence of debt issuance.

After the Preliminary budget and tax levy are set in September, work continues on refinements to the budget and utility rates and other fees are looked at for setting the next year's rates. In the case of the Water, Sanitary Sewer and Storm Water funds, the Utility Rate study increases have been factored in. In many cases, increases in fees have already been programmed into the budgets approved in September. This is the opportunity to refine and finalize those fees. The Finance Commission reviews the utility

rates in October. The PWET Commission also review these rates in October. Recommendations from both Commissions go to the City Council in November when they review the proposed rates.

The City holds a final budget hearing for citizen input at the last meeting in November. Citizen input is solicited throughout the summer and fall months as well. The final Budget, tax levies, utility rates and fee schedule go to the City Council in December for final approval.

While this is not a step by step instruction of the budget process, it is designed to help educate those interested in understanding how governmental budgeting and financial processes work. Questions are welcome and encouraged.

Staff Recommendation

No recommendation, this is an educational item.

Requested Commission Action

No action needed as this is an educational item.

Prepared by: Michelle Pietrick, Finance Director
Attachments: none

Roseville Finance Commission

2023 Meeting Topics & Calendar

Month	Discussion Topic (Tentative)
January 10	Review Government Budget Practices and Accounting Standards to try and inform how Government Financial Processes Work
February 14	
March 14	- Select Chair, Vice-Chair, and Ethics Commission Representative - Review 2022 Investment Portfolio performance
April 11	- Review 2022 preliminary year-end cash reserve levels
May 9	- Discuss items for Joint City Council-Finance Commission meeting
June 13	- Review 2022 Audit Reports 2024-2043 Capital Improvement Plan review #1
July 11	2024-2043 Capital Improvement Plan review #2
August 23 * Wednesday	Discuss the 2024 City Manager Recommended Budget & Tax Levy
September 12	- Establish Recommendation on 2023 City Manager Recommended Budget & Tax Levy - Establish Recommendation on 2024-2043 Capital Improvement Plan
September 18	Present Budget Recommendation to City Council
October 10	- Update on the Council-adopted 2024 preliminary Budget & Tax Levy - Review and adopt a recommendation on the 2024 proposed utility rates
November 14	- Adopt 2024 Meeting Calendar - Adopt 2024 Work Plan