

**Finance Commission  
Meeting Minutes  
July 13, 2021**

**Roll Call/Announcements**

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

**Commissioners Present:** Sifa Barclay, Bruce Bester, Wanda Davies, Rachel Japuntich, Ryan Lee, John Murray, Dan Sagisser

**Commissioners Absent:** None.

**Staff Present:** Finance Director Michelle Pietrick

**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 stated line 207 should be changed to: “It looked to him that it is not a ~~real~~ stable way to finance parks.”

Chair Davies stated line 65 should be changed to: “...Commissioner Murray indicated looking at ~~proposer~~ proposal 2,...” Commissioner Bester thought the word was “proposer.”

Commissioner Barclay stated line 51 should be changed to: “...Commissioner ~~Barkley~~ Barclay...”

Commissioner Japuntich moved, seconded by Commissioner Murray to approve the June 3, 2021 meeting minutes as amended. **The motion carried unanimously.**

**Receive Finance Commission Recommendations Tracking Report**

Commissioner Bester reviewed the Finance Commission Tracking report and indicated the format has been changed which makes it easier to track recommendations.

**Review Draft 2022-2041 Capital Improvement Plan & Tentative Funding Strategies**

Finance Director Pietrick stated the Finance Commission is asked to review the 2022-2041 Capital Improvement Plan and Tentative Funding Strategies to bring forward to the September 20, 2021 City Council meeting.

Commissioner Sagisser asked if Roseville still owned Metro Inet with that as a revenue source.

Ms. Pietrick indicated that Roseville does not own it. In 2022 this will be a stand alone entity and Roseville will become a member city like everyone else involved.

Commissioner Murray asked if the City currently owns all of the equipment that Metro Inet is operating with.

Ms. Pietrick explained any computer equipment at the City is owned by Roseville.

Commissioner Murray asked if the equipment will be transferred over to Metro Inet.

Ms. Pietrick indicated it would not. She explained member cities own the equipment that is in their individual city halls. Part of the costing methodology is that some of the servers are shared amongst the cities. In 2022 Roseville will get notified when its City specific hardware needs to be replaced so the City will still have an IT Capital Fund, but it will only be for Roseville equipment.

Ms. Pietrick continued with her review of the Capital Improvement Plan.

Chair Davies noted it looked like in 2024 there will be a \$400,000 levy increase to cover the increase in staffing for the six fire fighters.

Ms. Pietrick explained there is \$200,000 for 2022, an additional \$200,000 in 2023 which goes into the Police vehicle and equipment fund and then an additional \$200,000 and the prior years CIP levy goes into operations to cover the six fire fighters

Chair Davies thought the \$200,000 that was going to be levied in 2022 and 2023 was going into the Capital Fund.

Ms. Pietrick explained it is and then staff is going to turn the capital levy off and move it over to operations.

Chair Davies asked if that resolves the deficit problem.

Ms. Pietrick indicated it did at this point in time.

The Commission discussed the future of the license center and possible revenue as well as other miscellaneous expenses and revenue in the CIP with Ms. Pietrick.

Commissioner Murray moved, seconded by Commissioner Japuntich, to recommend the CIP as proposed to the City Council.

Chair Davies suggested in regard to the Pavement Management Fund, before this goes into a deficit, she thought there needed to be some kind of placeholder in the next year or two to adjust those numbers going out further into the future.

**The motion carried unanimously.**

### **Review and Discuss Cash Reserve Levels**

Finance Director Pietrick stated best practices recommend that policies be reviewed periodically to insure they remain relevant. The Finance Commission is asked to review the cash reserve levels. Staff recommends modifying the Operating Fund Reserve Policy with the recommended by staff and approve the revised policy which will be forwarded to the City Council

Ms. Pietrick reviewed the range for the Recreation fund.

Commissioner Japuntich asked if the Parks and Recreation fund goes over the allotted percentage does it trigger anything.

Ms. Pietrick indicated it will at year end. If the Parks and Recreation fund is over the high, twenty-five percent, money gets swept and gets transferred over to the excess Cash Reserve Fund. If they are under their low, which was the case in 2020, then money gets transferred from the excess Cash Reserve Fund over to the Recreation Fund to get to the twenty-five percent.

Commissioner Japuntich wondered if there should be a range of fifteen to thirty percent, if the target is twenty-five percent, they might want to have a percentage a little below and a percentage a little above the twenty-five percent.

Chair Davies indicated what matters is what the percentage is on December 31<sup>st</sup>. She noted the high of this fund is rarely, if ever, above twenty-five percent and she wondered if Parks and Recreation is somehow thinking that if they accept this range that goes lower then it will somehow impact the budget and they are going to have less money available to spend, which is not the case because whatever is budgeted is what the Parks and Recreation will have.

Ms. Pietrick indicated she did not see a problem with the fifteen to twenty-five percent and these ranges are only important at year end. She noted if the fund runs out of money during the year, then the General Fund needs to cover this fund and pay its bills, which is why the General Fund has a much higher reserve ratio and it is normal for this fund to have higher reserve ratios.

Ms. Pietrick reviewed the range for the License Center with the Commission. She noted the range is currently between ten to fifteen percent and she recommended this one be consistent at

the fifteen to twenty-five percent. This fund for 2018-2019 exceeded their range so the funds were swept out of the License Center and into the Excess Cash Reserve fund and then at the end of 2020 all of that money was swept back into the License Center fund from the Excess Cash Reserve fund.

Ms. Pietrick reviewed the Communications fund and noted it currently has a range of ten to thirty percent. The primary source of revenue for this fund has been cable franchise fees which had been steadily dropping for the last few years. In 2021 the City introduced a property tax levy in the amount of \$50,000 to help bolster this fund, which will be an ongoing levy support.

The Information Technology fund currently is ten to fifteen percent and she was not recommending any changes to this fund because the fund will eventually go away.

Ms. Pietrick reviewed the Capital Projects with the Commission. She indicated there are a number of them without any stipulated policy ranges. She noted these are analyzed through the CIP process.

Ms. Pietrick explained in the case of the Enterprise funds, this is sort of addressed in the Capital Improvement plan. When the utility rate study was done on the Water and Storm Drainage funds, Ehlers recommended a minimum working capital equal to fifty percent of operations plus the next years' debt service. It was noted this was industry standard for Enterprise funds. She wondered if the Commission wanted to include a range in the recommendation to the Council.

Commissioner Bester thought it looked like there was a long way to go to get to the fifty percent number. He thought the Ehlers recommendation made sense, but he wondered how the City will get there.

Ms. Pietrick explained the City needs to identify that for Enterprise Funds the City will not be able to get to the fifty percent in one year but will get there over a number of years. It is going to take a longer effort through annual utility rate adjustments as well as refining the City's CIP needs as well.

Commissioner Murray thought the fifty percent for the minimum working capital seemed like a lot, plus the debt service. He wondered on a typical billing cycle, every three months, how much is collected.

Chair Davies wondered why the Enterprise fund would need to be at fifty percent when all of the other funds are a much lower percentage.

Ms. Pietrick explained the Enterprise fund has to pay for its operations and capital, which is the only difference between the operating funds and the Enterprise fund. She thought fifty percent was high. She could see a range that would keep the Enterprise fund healthy enough to cover the next five years of capital. She indicated the money is still going to flow in and they need to recognize that these funds need to be scrutinized.

Commissioner Murray indicated he has been on the Finance Commission a long time and previously the Commission spent a lot of time coming up with these ranges for the various funds, it is nice to know that the Commission hit the target for the most part on these funds, with exception of the Recreation fund. He also wondered if there has been enough time and enough track record to find out if the License Center fund should be adjusted or not.

Ms. Pietrick thought that fund could be left as is for now.

Commissioner Sagisser thanked Ms. Pietrick for laying out the funds the way she did because it was really helpful and straightforward.

Commissioner Bester moved, seconded by Commissioner Sagisser to establish a reserve level for the General Fund at thirty-five to fifty percent.

Commissioner Japuntich wondered if the percentage range should be forty to fifty percent to keep in line with other funds.

Commissioner Bester thought thirty-five would give the City more flexibility.

**The motion carried unanimously.**

Chair Davies thought the fifty percent for the Enterprise Fund should be struck in the revised Operating Fund Reserve Policy because they do not know where the information came from other than Ehlers stating it was industry standard. She wondered what it was based on.

The Commission indicated to postpone approval of the revised Operating Fund Reserve Policy until the next Finance Commission meeting in order to get information requested about some of the funds.

### **Finance Department Responsibilities**

Finance Director Pietrick noted Chair Davies thought it would be helpful for the Commission to understand how the Finance Department is organized and what areas the department is responsible for. She reviewed the Finance Department functions and responsibilities with the Commission.

Ms. Pietrick reviewed new features and software systems being implemented in the Finance Department for payroll and City transactions. She noted in the next year or two she hoped to implement a new AP system as well.

### **Identify Discussion Items for the Future Meeting (August 2021)**

Finance Director Pietrick stated the next agenda would include discussions on the 2022 City Manager recommended Budget and Tax Levy, continued Cash Reserve discussion, as well as a campus facility tour.

Ms. Pietrick asked if the Commission would like to meet on August 25<sup>th</sup> or August 26<sup>th</sup> rather than August 17<sup>th</sup> in order to review the Preliminary 2022 City Council budget after it is reviewed by the City Council.

Commissioner Bester wondered if Commissioners could ZOOM in for the meeting.

Ms. Pietrick indicated she would check on that and let the Commission know.

Chair Davies indicated she would not be at the meeting in person so Commissioner Sagisser would be chairing, and she could ZOOM in if possible.

The Commission preferred August 25<sup>th</sup> to meet.

The Commission discussed which facilities should be toured in the City if there is time.

### **Adjourn**

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

Meeting adjourned at 8:20 p.m.