

## **Finance Commission Meeting Minutes January 14, 2020**

### **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:** Matt Harold, Edwin Hodder, John Murray, and Jack Reif.

**Commissioners Absent:** Wanda Davies, Ryan Lee, Dan Sagisser

**Staff Present:** City Manager Patrick Trudgeon

### **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.

Commissioner Reif explained he read an article regarding the city providing administrative assistance to Falcon Heights and asked for more details on that. He wondered if the city had someone with excess time or is it being rotated amongst the number of people.

Mr. Trudgeon reviewed this item with the Commission.

Chair Hodder asked if staff would do inspections.

Mr. Trudgeon explained the city does not do inspections for Falcon Heights.

### **Approval of Meeting Minutes**

Chair Hodder asked if there were changes to the minutes.

Commissioner Reif moved, seconded by Commissioner Murray to approve the November 12, 2019 meeting minutes as presented. **The motion carried unanimously.**

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

City Manager Trudgeon provided a summary of the Finance Commission's recommendations submitted to the City Council. He noted there have not been any changes since the last updated provided in October.

Chair Hodder asked if the Parks and Recs Commission made a determination as far as their recommendation to the city Council on Parks Reserve level.

Mr. Trudgeon thought the Commission did talk about it but has not gone to the City Council. He noted he would follow up on this to see where this is at.

### **Discussion on City's Investment Policy**

City Manager Trudgeon stated in October the Commission discussed amending the city's Investment Policy to allow for a portion of the city's investments to be in equities. At the November meeting, the Commission reviewed amendments to the Investment Policy but wanted to take more time to review the policy before recommendations were brought to the city Council.

Commissioner Murray thought this reflects what the Commission discussed and agreed to. It looks like it would work. He noted under Safe Keeping and Collateralization, "All investment securities purchased by the city shall be held in third party safe keeping by the institution designated as primary agent", is kind of quant language and reflects when the city used to have bonds and physical securities but now everything is electronic and asked if it still reflected reality.

Mr. Trudgeon was not sure he could answer that but could check with the Finance Department to see if that language potentially may need to be updated.

Chair Hodder asked if the Commission should wait on approving this until the new Finance Director has a chance to review it.

Mr. Trudgeon believed the city has a person ready for hire but is not official yet and hoped in the next week or so let the Commission know. This person would not probably start until February and after the next scheduled Finance Commission meeting so he would leave it up to the Commission to decide. He indicated the Finance Department has looked at this and liked it so he was not sure if there would be much to change.

Commissioner Murray moved, seconded by Commissioner Reif, to approve the city's Investment Policy as amended.

Commissioner Hodder indicated the Commission discussed the one percent fee but wondered where the fifteen percent turnover comes from. He wanted to make sure the city does not box itself in too much with restricting turnover, basically putting a turnover in the policy. He agreed with the sentiment that the city should be investing in index funds with relatively low turnover, but he was not familiar enough with that figure to know what a reasonable number is.

Commissioner Murray explained without going into statistical proof, index funds have been shown to be much below that fifteen percent. When that level is hit, something is wrong with the manager and is costing money with all the transactions. He noted it is a bit arbitrary but is a warning sign.

**The motion carried unanimously.**

### **Discussion on Establishing A Cash Reserve Fund Policy**

City Manager Trudgeon stated at the September city Council joint meeting with the Commission, the Council asked the Commission to create a policy regarding the mechanisms around the sweeping excess cash reserves from selected funds to a separate Cash Reserve Fund.

Chair Hodder thought there was one modification to this which was made and was worded “maximum reserve level at December 31<sup>st</sup> of the previous year”. He thought when the Commission finds out about the Park and Rec recommendation for the target high and low, that can be amended to reflect what that would be.

Commissioner Harold was not sure if tracking the numbers over time to get a better picture was brought up only at the Commission level or with the Council but he thought in the section “Cash Reserve Funds” adding to the third paragraph after “this information should then be presented to the Finance Commission and the City Council for information and recorded for record keeping”. Maybe some type of information that can be kept as a way of record tracking and maybe it does not need to live in the policy and something the Commission could do outside of the policy.

Commissioner Murray thought the Commission came up with an idea for reviewing things about every three years.

Chair Hodder indicated the Commission talked about that for major projects and thought the thinking was around that line. He liked the idea of doing some kind of annual review of those levels. There might be a place to review that on an annual basis once the reserve levels are given from the previous year.

Mr. Trudgeon thought that to ensure people are looking at this and it is transparent he suggested the following language after the last sentence “The funds transferred to the Cash Reserve Fund shall be tracked on an annual basis and reported to the Finance Commission and City Council”. He thought on annual basis moving forward there will not be as much money eligible to be transferred as when the fund was setup last year.

Chair Hodder indicated he liked that language and clarifies Commissioner Harold’s concerns.

Commissioner Harold moved, seconded by Commissioner Murray to add “The funds transferred to the Cash Reserve Fund shall be tracked on an annual basis and reports to the Finance

Commission and city Council” after the last sentence of the Cash Reserve Fund. **The motion carried unanimously.**

Chair Hodder asked if the Commission wanted to make a recommendation as far as to approve the policy as amended.

Commissioner Murray asked if staff has had any feedback at all from Parks and Rec whether the Commission wants to go with 15 and 25 percent.

Mr. Trudgeon believed the Commission talked about it but was not sure of the outcome on that. He would think when this is brought forward staff will make sure that has been resolved and when the Council approves it the 15 and 25 percent will be put into the recommendation.

Commissioner Murray indicated he would like to go ahead with the approval but was not sure about the percentage.

Chair Hodder explained the Commission could move forward with the recommendation and the language can be amended because the Council will be reviewing it and approving it.

Commissioner Murray moved, seconded by Commissioner Harold, to establish the Cash Reserve Policy as amended. **The motion carried unanimously.**

### **Staff Update**

City Manager Trudgeon updated the Finance Commission on the Council’s approval of the 2020 Budget and Levy. He reviewed the decrease made to the Communications budget of \$45,000 by the city Council.

Commissioner Reif asked with the building of the new senior mega complexes, would that effect franchise fees.

Mr. Trudgeon explained to the extent those are cable customers it would. With more units and density there is the potential, but it seems that there are less people that are using cable and he suspected there are generational differences as well. Also, it is so much easier for people to access the media they want. He thought in five years things will look different and the city cannot rely on this fund. Franchise fees might be good funds to put towards capital improvements but as far as funding operations that is not sustainable.

Commissioner Murray asked regarding enhancing revenue if there were any options there.

Chair Hodder asked if cities will be able to benefit from the 5G infrastructure.

Mr. Trudgeon explained there was an aggressive lobby by the cable companies at the Federal and State level to put in place laws that really prevent cities from regulating that effectively from his

perspective, as a city official it is a shame. The 5G equipment is smaller and has a shorter range meaning that there will need to be a lot of them in the city to do 5G. He thought there is an aesthetic issue when rights-of-way are used and the new regulations limit the cities on how much fees can be charged. That would be a potential revenue source as technology changes and there are other opportunities for other franchise fees for utilities if needed. He noted in the 2020 budget all of the capital needs were moved out of the Communication Fund into the General Facilities fund. That helped lessen the need for funds in the Communication Fund but operationally every year the city uses that for capital but there is not any large expenditure slated until 2024. It is not solving any problems by moving it but gives the city some breathing room until the problem can be figured out and corrected.

Mr. Trudgeon indicated the city is in the final process of hiring a Finance Director and hope to have an announcement soon. That person would be the Finance Commission staff liaison but will probably not be in place for the February meeting. He would like to bring that person to the March meeting to transition the meeting to that person. The challenges are the meeting is March 10<sup>th</sup> and he will be out of town and wondering if the Commission could meet March 17<sup>th</sup> when he would be able to attend and transition to the new Finance Director.

The Finance Commission indicated March 17<sup>th</sup> would be fine but to send out an email to the Commissioners not at the meeting to make sure that date is open for them.

Mr. Trudgeon explained there are some Commissioner vacancies coming out. Chair Hodder has timed out and can no longer serve and Commissioner Harold is not able to do his second term. Interviews for Commission appointees will be end of February with the City Council and terms end in March with new Commissioners coming on board in April. He suggested holding off on the tour until the new Commissioners are on board.

Mr. Trudgeon indicated the city is at the very beginning stages of the facility study and have hired BKV and Company to help guide the city through that process. He explained he wanted the Finance Commission to be involved and aware of some things as that happens. He is preparing information for the February meeting.

Chair Hodder asked how the bonding for the OVAL is going with the Legislature. He wondered how the process works.

Mr. Trudgeon explained in November the House Investment Committee came and toured the Metro area, including the OVAL. He noted the Committee was very engaged and very interested. One legislator actually got some skates and started skating on the rink. He thought the tour was very successful. He thought the OVAL hit home to a lot of the members and really emphasized the regional aspect of it including the national impact it has for speedskaters and other skaters as well. He noted staff is seeing if the Senate Capital Investment Committee can come and tour the OVAL as well. He was hoping to show the Senators that the OVAL is an important investment. He is also hoping this will be in the Governor's bonding bill. He indicated he was optimistic this will get passed in the bonding budget this year for financing of the OVAL.

Commissioner Harold explained at the December meeting it was mentioned about having the city discuss seeking a local sales tax. He knew that was something this Commission has discussed previously, and he was curious about it and wondered if it was something that should be added to the agenda going forward, if it gets to that point.

Mr. Trudgeon explained since December 2<sup>nd</sup> staff has followed up on January 6<sup>th</sup> with the Council on legislative priorities and the Council decided to not include that officially as a priority but did want to learn more about it and have conversations to keep bringing it forward. He reviewed the process to get local sales tax approved with the Commission.

Mr. Trudgeon noted thought process for local sales tax is that Roseville has a lot of visitors into the community that utilize the roads, parks and facilities and it would be a way to have people that get the benefits of the city without paying any taxes contribute to road and infrastructure needs and would be a benefit to residents in the community.

Commissioner Murray explained as sales taxes go up per city, sales tend to migrate somewhere else a little bit, so sales do go down. Using Rosedale as an example, when sales go down, rents are tied to that which valuation is tied to that and property taxes are tied to that and there may have some decrease in valuation.

Chair Hodder indicated he actually attended the Ramsey County hearing when property tax statements came out and his valuation went up significantly, more than seventeen percent, yet his income has gone up less than inflation and he will have to pay taxes on the property tax valuation increase. He thought that was a concerning situation for people on a fixed income as well.

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

a. 2020 Meeting Topics and Calendar

Mr. Trudgeon stated the next agenda would include discussions on facilities, communications fund and developments in Roseville.

#### **Adjourn**

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

Meeting adjourned at 7:30 p.m.