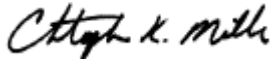



ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: 08/15/16
Item No.: 11.b

Department Approval

City Manager Approval



Item Description: Joint Meeting with the Finance Commission

BACKGROUND

Earlier this year, the City established a joint meeting between the City Council and Finance Commission to review the Commission’s activities during the past year, to receive any Commission guidance or recommendations, and to identify potential topics for future discussion.

Background information on each of these areas are presented below.

Sep 2015 – August 2016 Activities

During the past year, the Finance Commission conducted the following activities:

- Participated in the Joint Parks & Finance Commission Golf Course Task Group
- Reviewed 2016 Recommended Budget & Subsequent Council-Adopted Budget
- Reviewed 2016 Water & Sewer Rates & Structure
- Revised Policy on the use of Park Dedication Funds
- Reviewed Use of Police Forfeiture Funds
- Received Encore Presentation of the ‘Budget 101’ Roseville University Session
- Revisited Concept of Creating a Financial Dashboard
- Discussed a Local Option Sales Tax
- Reviewed individual Departmental Programs and Budgets
- Toured the Police & Fire Stations to provide added context to departmental budgets
- Receive Historical Budget & Tax Levy Data and Future Projections
- Reviewed 2017-2036 Capital Improvement Plan (CIP)
- Discussed 2017 Budget & Tax Levy Scenarios
- Reviewed 2015 Cash Reserve levels

Finance Commission Recommendations

Based on various discussions over the past year, the Commission submits the following guidance/recommendations for Council consideration:

- CIP: Pavement Management Program (Attachment A)
 - a) Increase the tax levy by \$160,000 in 2017 followed by additional tax levy increases in 2018 and 2019

34 CIP: General Facilities (Attachment B)

- 35 a) For 2017, dedicate \$500,000 of expected surplus TIF monies for General Facilities.
36 b) Beginning in 2019, re-purpose \$335,000 in tax levy previously used for debt service, for
37 general facilities
38 c) Assume that OVAL capital replacements will be financed by State funding
39 d) Look for opportunities to reduce the overall 20-year General Facilities CIP by 5% through
40 a prioritization process to partially offset financial impacts from other infrastructure asset
41 replacements

42 CIP: Park Improvement Program (Attachment C)

- 43 a) Transfer \$400,000 of *existing* Park Dedication Funds to the PIP
44 b) Dedicate two-thirds of *future* Park Dedication Funds to the PIP
45 c) Beginning in 2020, re-purpose \$650,000 that was previously used for debt service towards
46 the PIP
47 d) Defer some planned PIP expenditures to future years to ensure a stronger likelihood of
48 having a positive cash flow in the next five years.

49 CIP: Golf Course Capital Improvements

- 50 a) Accompanied by the PIP recommendations, and in consideration that the golf course as
51 part of the larger Parks & Recreation System and no longer operating as a traditional
52 Enterprise Fund; combine the golf course clubhouse and other capital needs into the PIP
53 and re-prioritize spending of all assets in this category with no additional tax levy funding
54 other than what is prescribed above.
55

56 The proposed tax levy increases in 2017 for the Pavement Management Program is consistent with the
57 recommendations outlined in the 2017 City Manager Recommended Budget. The Commission
58 recommendation also maintains the original design of the Pavement Management Program as an
59 established endowment fund.
60

61 General Facility recommendations A-C, are consistent with the recommendations outlined in the 2017
62 City Manager Recommended Budget. The recommendations are rooted in the general notion that the City
63 should adequately fund *existing* assets before acquiring new ones.
64

65 Park Improvement Program recommendations A-C, are consistent with the Commission's
66 recommendations issued to the Council last year.
67

68 The Golf Course capital recommendation is somewhat premised on the significant investment already
69 made with the recent Parks Renewal Program, as well as the substantial funding gaps that also exist in
70 other asset replacement programs. Again, the underlining sentiment is to adequately fund existing park
71 system commitments before establishing new ones.
72

73 **Future Discussion Topics**

74 To ensure that the Commission continues to serve the Council in a productive manner, the Council is
75 asked to provide direction on whether the Commission should pursue discussions on the following topics:
76

- 77 What level of budget review should the Finance Commission take? Any specific area?
78 Should the Finance Commission be involved in reviewing the annual audit reports, internal
79 controls, investment policies & performance?
80 Local Option Sales Tax
81 Use of Cash Reserves
82 Others??

83 **POLICY OBJECTIVE**

84 Not applicable.

85 **FINANCIAL IMPACTS**

86 Not applicable.

87 **STAFF RECOMMENDATION**

88 Not applicable.

89 **REQUESTED COUNCIL ACTION**

90 For information purposes only. No formal Council action is required.

91

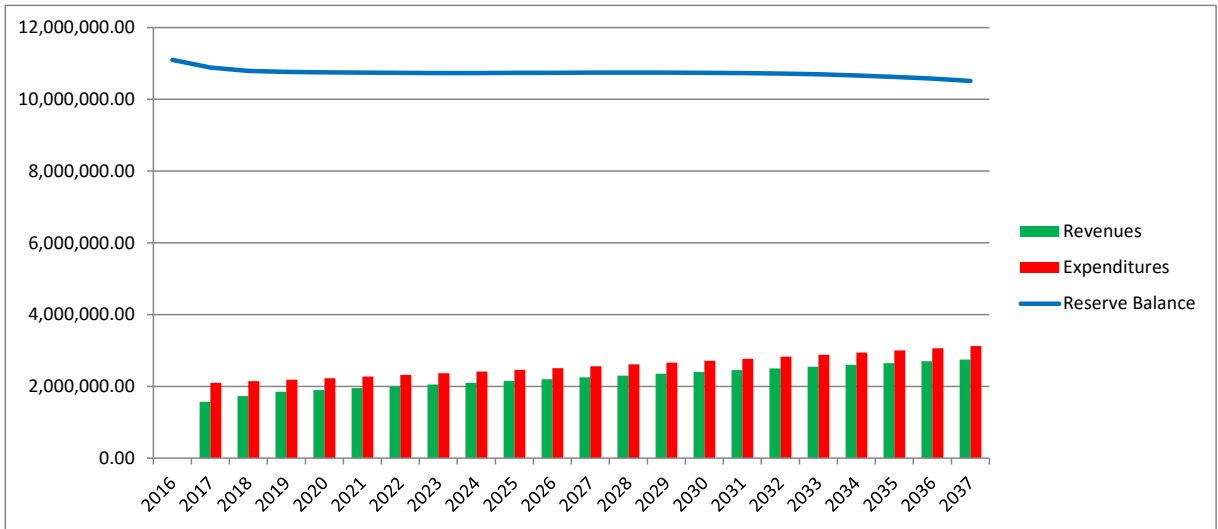
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Prepared by: Chris Miller, Finance Director
Attachments: A: CIP Recommendation: Pavement Management Program
B: CIP Recommendation: General Facilities
C: CIP Recommendation: Park Improvement Program

Scenario 5 - Long-term levy increases with 3% interest earnings

PAVEMENT MANAGEMENT PROGRAM

Year	Add'l Levy	Total Levy	Revenues	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Levy Expenditure Coverage %
2016							11,100,000.00	
2017	160,000.00	470,000.00	1,570,000.00	2,100,000.00	530,000.00	317,100.00	10,887,100.00	22.4%
2018	160,000.00	630,000.00	1,730,000.00	2,142,000.00	412,000.00	314,253.00	10,789,353.00	29.4%
2019	120,000.00	750,000.00	1,850,000.00	2,184,840.00	334,840.00	313,635.39	10,768,148.39	34.3%
2020	50,000.00	800,000.00	1,900,000.00	2,228,536.80	328,536.80	313,188.35	10,752,799.94	35.9%
2021	50,000.00	850,000.00	1,950,000.00	2,273,107.54	323,107.54	312,890.77	10,742,583.17	37.4%
2022	50,000.00	900,000.00	2,000,000.00	2,318,569.69	318,569.69	312,720.40	10,736,733.89	38.8%
2023	50,000.00	950,000.00	2,050,000.00	2,364,941.08	314,941.08	312,653.78	10,734,446.60	40.2%
2024	50,000.00	1,000,000.00	2,100,000.00	2,412,239.90	312,239.90	312,666.20	10,734,872.89	41.5%
2025	50,000.00	1,050,000.00	2,150,000.00	2,460,484.70	310,484.70	312,731.65	10,737,119.84	42.7%
2026	50,000.00	1,100,000.00	2,200,000.00	2,509,694.39	309,694.39	312,822.76	10,740,248.21	43.8%
2027	50,000.00	1,150,000.00	2,250,000.00	2,559,888.28	309,888.28	312,910.80	10,743,270.73	44.9%
2028	50,000.00	1,200,000.00	2,300,000.00	2,611,086.05	311,086.05	312,965.54	10,745,150.22	46.0%
2029	50,000.00	1,250,000.00	2,350,000.00	2,663,307.77	313,307.77	312,955.27	10,744,797.72	46.9%
2030	50,000.00	1,300,000.00	2,400,000.00	2,716,573.92	316,573.92	312,846.71	10,741,070.51	47.9%
2031	50,000.00	1,350,000.00	2,450,000.00	2,770,905.40	320,905.40	312,604.95	10,732,770.06	48.7%
2032	50,000.00	1,400,000.00	2,500,000.00	2,826,323.51	326,323.51	312,193.40	10,718,639.95	49.5%
2033	50,000.00	1,450,000.00	2,550,000.00	2,882,849.98	332,849.98	311,573.70	10,697,363.67	50.3%
2034	50,000.00	1,500,000.00	2,600,000.00	2,940,506.98	340,506.98	310,705.70	10,667,562.39	51.0%
2035	50,000.00	1,550,000.00	2,650,000.00	2,999,317.12	349,317.12	309,547.36	10,627,792.63	51.7%
2036	50,000.00	1,600,000.00	2,700,000.00	3,059,303.46	359,303.46	308,054.67	10,576,543.84	52.3%
2037	50,000.00	1,650,000.00	2,750,000.00	3,120,489.53	370,489.53	306,181.63	10,512,235.94	52.9%



Assumptions: MSA funds of \$1.1M received every year
 Expenditures increase at 2% per year
 Reserve Earnings of 3%

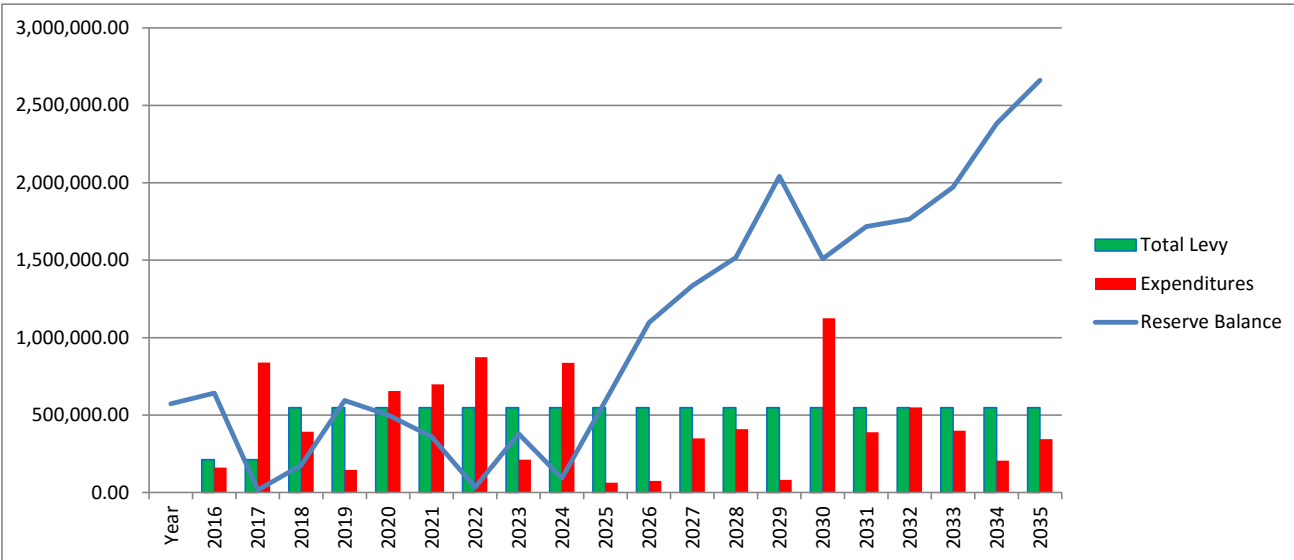
Results:

22 year interest earnings of: 6,557,202.05
 Endowment preserved at \$10.5M

Scenario 6 - Expenditures at 95%, no Oval Expenditure

GENERAL FACILITIES

Year	Add'l Levy	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Levy Expenditure Coverage %
2016						572,000.00	
2017		212,000.00	160,740.00	-	18,697.80	641,957.80	131.9%
2018	-	212,000.00	838,375.00	626,375.00	467.48	16,050.28	25.3%
2019	335,000.00	547,000.00	393,110.00	-	5,098.21	175,038.49	139.1%
2020	-	547,000.00	145,350.00	-	17,300.65	593,989.15	376.3%
2021	-	547,000.00	655,500.00	108,500.00	14,564.67	500,053.82	83.4%
2022	-	547,000.00	697,490.00	150,490.00	10,486.91	360,050.74	78.4%
2023	-	547,000.00	874,285.00	327,285.00	982.97	33,748.71	62.6%
2024	-	547,000.00	212,230.00	-	11,055.56	379,574.27	257.7%
2025	-	547,000.00	836,950.00	289,950.00	2,688.73	92,313.00	65.4%
2026	-	547,000.00	63,650.00	-	17,269.89	592,932.89	859.4%
2027	-	547,000.00	74,670.00	-	31,957.89	1,097,220.77	732.6%
2028	-	547,000.00	348,650.00	-	38,867.12	1,334,437.90	156.9%
2029	-	547,000.00	408,405.00	-	44,190.99	1,517,223.88	133.9%
2030	-	547,000.00	81,985.00	-	59,467.17	2,041,706.05	667.2%
2031	-	547,000.00	1,124,705.00	577,705.00	43,920.03	1,507,921.08	48.6%
2032	-	547,000.00	388,550.00	-	49,991.13	1,716,362.22	140.8%
2033	-	547,000.00	549,100.00	2,100.00	51,427.87	1,765,690.08	99.6%
2034	-	547,000.00	398,525.00	-	57,424.95	1,971,590.03	137.3%
2035	-	547,000.00	205,675.00	-	69,387.45	2,382,302.48	266.0%
2036	-	547,000.00	344,850.00	-	77,533.57	2,661,986.06	158.6%

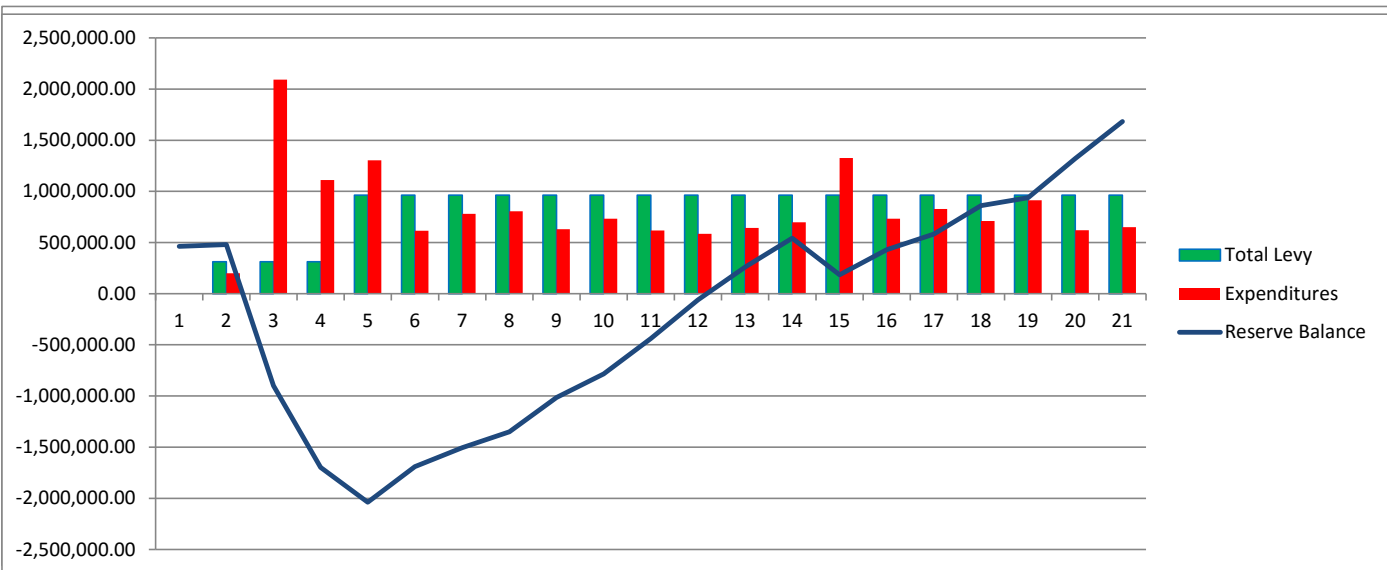


Assumptions: Reserve Earnings of 3%
 2019 Levy increase is repurpose of bond issuance
 One-time infusion of \$500,000 from surplus TIF
 All expenditures are at 95% of existing CIP. No Oval Expenditure.

Scenario 9 - Current "Revised" Plan, plus \$400K one-time infusion & 2/3 of Park Dedication future revenues

Park Improvement Program

Year	Add'l Levy or Other	Total Levy	Expenditures	Reserve Use	Reserve Earnings	Reserve Balance	Levy Expenditure Coverage %
2016						462,000.00	
2017	113,333.33	313,333.33	200,000.00	-	17,260.00	479,260.00	156.7%
2018		313,333.33	2,092,090.00	1,778,756.67	-	(899,496.67)	15.0%
2019		313,333.33	1,111,290.00	797,956.67	-	(1,697,453.33)	28.2%
2020	650,000.00	963,333.33	1,304,000.00	340,666.67	-	(2,038,120.00)	73.9%
2021		963,333.33	615,000.00	-	-	(1,689,786.67)	156.6%
2022		963,333.33	779,250.00	-	-	(1,505,703.33)	123.6%
2023		963,333.33	806,500.00	-	-	(1,348,870.00)	119.4%
2024		963,333.33	630,000.00	-	-	(1,015,536.67)	152.9%
2025		963,333.33	732,570.00	-	-	(784,773.33)	131.5%
2026		963,333.33	618,000.00	-	-	(439,440.00)	155.9%
2027		963,333.33	585,000.00	-	-	(61,106.67)	164.7%
2028		963,333.33	641,500.00	-	-	260,726.67	150.2%
2029		963,333.33	697,500.00	-	15,796.80	542,356.80	138.1%
2030		963,333.33	1,325,250.00	361,916.67	5,413.20	185,853.34	72.7%
2031		963,333.33	731,670.00	-	12,525.50	430,042.17	131.7%
2032		963,333.33	828,000.00	-	16,961.27	582,336.77	116.3%
2033		963,333.33	710,000.00	-	25,070.10	860,740.21	135.7%
2034		963,333.33	914,000.00	-	27,302.21	937,375.75	105.4%
2035		963,333.33	619,000.00	-	38,451.27	1,320,160.35	155.6%
2036		963,333.33	649,950.00	-	49,006.31	1,682,549.99	148.2%



Assumptions:

- 2020 levy increase is a repurpose of bond issuance #27
- Added \$400K to Reserve Balance in 2016
- Added 2/3 of 10 yr average of \$170K to Levy, which is just revenue
- Defer some planned expenditure to ensure a stronger likelihood of positive cash flows in the next five years