Finance Commission
Meeting Minutes
May 9, 2023

Roll Call/Announcements

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

Commissioners Present: Siafa Barclay, Bruce Bester, Wanda Davies, Joe Tupy, Dan Sagisser and Sadiq Dahir

Commissioners Absent: Karin Derauf

Staff Present: Finance Director Michelle Pietrick

Oath of Office – New Commissioners

Chair Davies administered the Oath of Office to Joe Tupy. She asked Commissioner Tupy to give a little history about himself.

Commissioner Tupy introduced himself and reviewed his history with the Commission.

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 Bester moved, seconded by Commissioner Sagisser to approve the April 11, 2023 meeting minutes as amended. **The motion carried unanimously.**

Audit Presentation of the Annual Financial Report as of December 31, 2022

Finance Director Pietrick introduced Ms. Rebecca Peterson from Redpath and Company who presented the 2022 audit results.

Chair Davies indicated there were some questions about why municipalities do not utilize the State Auditor and she did not understand what the State Auditor does with respect to municipal audits and how Redpath and Company fits in with that.

Ms. Peterson explained what the State Auditor does compared to her company.

Commissioner Bester indicated he had a lot of questions about the audited statements. He was curious about the expectation of the Commission to be the eyes and ears for the City Council, for the citizens, he wondered what level of responsibility is expected of the Finance Commissioners.

Ms. Pietrick explained her expectation is that this gives the Commission a basis in Government finance and gives the Commission data to know where the City is at. The Council is the Governance body and have to hear from the auditors because the auditors work for the Council and for the Finance Commission to have a well-rounded understanding of City Government, the audit tells where the City was at the end of 2022. It is a point in time but leads into the Capital Improvement Plan and the budget discussions. She noted the audit is kind of a building block that builds into the coming year.

Commissioner Bester explained the increase in net position from 2021, which was 9.9 million and this year it is 1.1 million which results in an 8.7 million reduction, and he wondered where the 4.9 million changes in the mark to market adjustment occurred. It looked to him as though the excess ARPA revenues decreased by approximately seven hundred thousand from the previous year. The disposal of government operations was 1.2 million.

Ms. Pietrick explained the City did program into 2022 to use some reserves in the Capital Project area. The City had some revenues that came in a little under what staff anticipated, though it was much better than 2020 and 2021.

Commissioner Bester thought, in his opinion, that the City moved in a position of probably overly profitable the previous year to now it has his attention, but then 5 million of it is the mark to market adjustment that is probably not going to repeat so that burden will not be there and as the City looks ahead to 2023-2024.

Ms. Pietrick explained the City is not in the business of making a profit. What the City is in the business of doing is ensuring adequate reserves and delivering services. She indicated the biggest change was the mark to market and other cities also experienced this adjustment. PERA had similar situations and some government agencies had better results due to keeping cash liquid and gave up yield to keep it liquid. The City has been trying to ladder its portfolio to have funds available when needed.

Ms. Peterson continued with her presentation on the audit results.

Commissioner Bester asked if the presentation could pause on the water fund/cash flows page because that whole page confused him. He asked about noncapital financing activities and what that entailed.

Ms. Peterson reviewed page 41 in the packet and explained what the auditors are looking for. She continued with her presentation on the sewer fund and solid waste recycling.

Commissioner Bester indicated he was curious to reconcile the difference in the increase in net position of one million one hundred twenty-seven that shows on page 23 of the audit versus the two million six hundred sixty-five loss that shows on page 37. He was trying to imagine what creates the difference of almost 3.8 million dollars.

Ms. Peterson indicated statement five, page 38, of the packet does give some explanation. That is really the source of most of that difference for the governmental funds.

Ms. Pietrick summarized the audit findings with the Commission.

Commissioner Bester wondered if the Commission could have future discussion on the pension changes.

Chair Davies thought that would be a good idea because she thought there was a lot there and she had some questions about that as well.

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester updated the Commission on the tracking report.

Discuss Items for Joint Meeting with the City Council

Finance Director Pietrick stated the Commission will be meeting with the City Council on Monday, June 5th. She asked for suggestions the Commission might want to bring up with the City Council.

Chair Davies thought the Commission could talk with the Council about something more on implementing investment in equities and the status of that.

Ms. Pietrick explained in the market right now, everything is so volatile right now and she did not think it would be the best time. She was hoping to see some moderation in the volatility. She has contacted the State Investment Board to find out what she needs to do to set up an account. If anything, she suggested the Commission still endorse this to the Council.

Commissioner Bester wondered if some of the origins of the excess reserve fund was intended by the Council and Mayor to maybe be a way to reduce the levy if it got strong enough.

Ms. Pietrick thought that was one of the ideas. She explained initially a large amount of funds were swept in there, but it has never really produced what the Council anticipated, largely because staff has gotten better at budgeting and some of the projects that were being built up in the Parks and Rec area, the Council swept those funds and the City is not sitting on millions of dollars and this will never be a money producer or a big way to reduce the levy. It has been used for one-time, infrequent items.

Ms. Pietrick discussed the history of the excess Cash Reserve Fund with the Commission.

Chair Davies thought the fund was an unnecessary and confusing fund and would be inclined to bring up at the City Council joint meeting.

Commissioner Sagisser agreed and thought maybe it should have been a one-time use fund and really is not needed anymore.

Identify Discussion Items for the Future Meeting

Chair Davies stated the next meeting is set for June 13th and she would not be able to attend. She indicated there will be another Oath of Office and a review of the Capital Improvement Plan. She asked Ms. Pietrick to pencil in for the July meeting the discussion on pensions.

Commissioner Sagisser asked for an update on the Campus Master Plan.

Ms. Pietrick explained that has been tabled for now due to the local area sales tax not being taken up by the Legislation at this time.

Adjourn

Commissioner Sagisser made a motion, seconded by Commissioner Bester to adjourn. **The motion carried unanimously.**

Meeting adjourned at 8:03 p.m.