Finance Commission
Meeting Minutes
September 12, 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: Bruce Bester, Wanda Davies, Karin Derauf, and Dan Sagisser

Commissioners Absent: Siafa Barclay, Joe Tupy, and Sadiq Dahir

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 Bester moved, seconded by Commissioner Sagisser, to approve the August 23, 2023 meeting minutes as presented. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester reviewed the recommended tracking report.

Establish Recommendation on the 2024 City Manager Budget and Tax Levy

Finance Director Pietrick reviewed the 2024 City Manager budget and tax levy with the Commission. She noted staff received the tax base information from the County that was not available at the last meeting. She explained staff calculated the estimated impact of the City Manager's current budget and tax levy which results in an increase of $8.00 per month or a 7.9% increase. The City also has an EDA tax levy, which is actually going down sixteen cents a month. The combined change on a monthly basis is $7.84. The annual change on the median valued home is $94.08 increase for the year. She noted these are estimates based on data staff has at this time.

Commissioner Derauf asked what the median value is.

Ms. Pietrick indicated she did not have that number off the top of her head.

Commissioner Bester thought it was $349,900.

Ms. Pietrick explained one of the things discussed in August was the fact that the growth in the residential property did not go up as much as the overall impact. The current budget has a levy increase of 8.99% but the homeowner of a median valued home will see a lower percent increase.

Chair Davies indicated commercial is presumably carrying a bigger load.

Ms. Pietrick indicated that was correct. She noted that the majority of cities present the tax impact based on the median valued home and this is a homesteaded home versus a non-homesteaded home because a non-homesteaded home would pay more. There are various categories of property -residential, apartments, commercial, industrial, and then other properties. If you look at the total taxable assessed values and divided it into residential and everybody else, everybody else is growing at a faster rate than residential. That is an inverse of last year where the residential value went up by almost 13%. She indicated Commissioner Bester asked some questions and she tried to answer them, the Minnesota tax system is not easy to understand to begin with, and when she started trying to look at the impact to a commercial property it was complicated as there are many different categories and tax rate impacts.

Ms. Pietrick explained the tax base the City uses is referred to as the net tax capacity by staff. In 2020 the net tax capacity for all property was $54 billion dollars. The estimated 2024 net tax capacity is $71 billion dollars. Over the course of time, it has increased significantly. 2020 increased by 7.6% over 2019, 2021 increased 9.3%, 2022 increased 2.6%, 2023 increased 10.2% and the estimated 2024 is a 5.9% increase. That is the entire tax base of the City, residential, commercial, industrial, apartments. Every property type changed at different rates but based on estimates, commercial is probably going to see a bigger increase than it did in 2022.

Ms. Pietrick noted over the last five years the median valued home has increased $77,000. She explained that the total impact to the median value home, the $96.00 per year, actually can be broken down to how much is related to the value increase versus the budget increase and for 2024 $54.00 is due to the value increase in that property and $42.00 is due to the increase in budget and tax levy dollars needed to balance the budget.

Ms. Pietrick indicated last year there was a $108.00 increase for the year for the median value home. $140.00 was value impact and minus $32.00 was the budget impact. What she is trying to say is value changes can have a big swing in what an individual property sees, and the median value is the midpoint on a residence, half of the residential properties are below that and half are over.

Ms. Pietrick noted over the past five years the local tax rate really has not adjusted by much, maybe half a point.

Chair Davies asked if Ms. Pietrick had a sense, the commercial end of it, is that coming from new businesses that are coming to Roseville or is it just that the commercial property is more valuable.

Ms. Pietrick indicated that commercial property is has increased in value, on the apartment side the City had some big ones come on board and are in tax increment districts. She explained what tax increment meant.

Commissioner Bester explained he had been in discussions with Ms. Pietrick and the essence of his question to her was if he looked at the annual financial statement, looked at the ten-year history of the assessed value of properties, commercial versus residential, commercial which includes apartments, have approximately doubled in the ten year period and not the case with residential which he thought made sense. His expectation and hope was that the 8.99% levy increase would be less than that for residential because of the growth in commercial and multi-family and it is true, it is 7.6% instead of 8.99%. Honestly, he was hoping for more than that based on looking at all of the development that goes on. He was looking for some assessed value information for commercial.

Ms. Pietrick indicated she has an email into the County because the City was not provided with that level of detail on property valuations.

Ms. Pietrick continued with her review of the 2024 City Manager Budget and Tax Levy.

Chair Davies indicated on page 35, the budget summary by function and administration is increasing by almost fifty-four percent. She wondered if that is due to the compensation study.

Ms. Pietrick explained the reason that is increasing is because the IT operating fund is now a part of administration. She reviewed in the information where the change was made.

Chair Davies wondered why under the police section community services is increasing by forty-seven percent. She wondered if that is the social worker that is no longer funded.

Ms. Pietrick explained the housing navigator would be a part of police administration. She explained in the community services section the administrative CSO went from a .8 fte to a full time equivalent of one which increased the budget by about $18,500 and then the animal hospital contract increased by almost $15,000.

Chair Davies asked on page 36, what was the building replacement fund increase of $574,000 for.

Ms. Pietrick explained in the building replacement fund, the biggest items are replacing the rooftop heat/ac unit on City Hall; the heating boilers in the Police Department building; and compressors at the Ice OVAL as well as three items at the OVAL that are part of State Bonding request. Those items were offset with State Bonding revenue but the City did not get the State

Bonding so these items will be moved to 2025. The expenses and the revenues will both move to 2025.

Chair Davies indicated the golf course is losing money and she wondered if there was a plan or an idea how to stop the drain on the City budget.

Ms. Pietrick explained the capital was moved over to the facilities fund and she thought staff was a little conservative in the revenue projections for 2024 as revenues have been trending higher.

Chair Davies explained the golf course has negative net assets and more red ink.

Ms. Pietrick explained the problem with the net assets is that it is an enterprise fund and staff is required to record depreciation on the building and equipment. If this was not a requirement, the operations would just about break even.

Commissioner Bester explained he struggles with this because if he uses the City tennis courts, he does not pay a nickel but if he were to go to the City golf course, he would need to pay a fee.

Chair Davies thought it was a good point. They do not expect the rest of the parks to show a profit or to break even.

Ms. Pietrick explained Central Park uses tax dollars to pay for the park.

Chair Davies agreed but the thing is there is no fee associated with using Central Park. The City does not look at how much income comes into Central Park versus how much it costs to maintain it, whereas the golf course they do.

Commissioner Sagisser thought it was probably because the golf course collects fees to use it and that everyone has the expectation that it would break even.

Chair Davies thought maybe they should adjust thinking to consider it to be a part of the City's recreation amenities, because it is relatively more expensive, people do pay fees but nevertheless it is ok if it does not cover all of the costs because it provides a recreational service to people.

Ms. Pietrick noted golf is not the only thing people do on that property. In the winter people do use the course to cross-country ski and snowshoe. It is not just a golf course; it is a park amenity, and it has a Community building available for rental.

Chair Davies appreciated Ms. Pietrick's attention to detail. She asked if the Commission was ready to make a recommendation in favor of the budget as written. She noted she has not heard any discussion of things that should be changed.

The Commission concurred that they would like to see the tax levy be reduced but agreed that inflation was a factor and the 2023 budget was underestimated.

Ms. Pietrick reviewed some of the resources the City has used to reduce costs throughout the year.

Commissioner Bester moved, seconded by Commissioner Sagisser to recommend the City Council approve the 2024 City Manager Budget and Tax Levy as written. **The motion carried unanimously.**

Establish Recommendation on the 2024-2043 Capital Improvement Plan

Finance Director Pietrick reviewed the 2024-2043 Capital Improvement Plan.

Chair Davies stated her only thought, as a result of the tour is she knows when she looks at what she spends for a vehicle, it is a lot more expensive to have a brand-new car than to drive one that is ten years old, even though you need to spend more for maintenance. She was surprised and a little taken aback that the City has exclusively new dump trucks that are being driven for 50,000 miles and not trying to get more life out of those. She was going to recommend this Capital Improvement Plan, but it is something that they might want to discuss to see a little bit more analysis that really demonstrates that it is the most cost-effective thing or is it because Public Works wants brand new trucks.

Commissioner Sagisser explained even if it is that Public Works just wants brand new trucks, if the trucks are costing a fortune and it is taking forever to get them, has the math changed in the last year than what it has been in the last fifteen or twenty years.

Ms. Pietrick explained staff has been analyzing lease options that come with an interest component. The lead time on vehicles is over a year and a half so even if the plan says to replace it at ten years, the City is having to hold them longer, simply because the City is not allowed more than one vehicle off the State contract currently because there is a shortage of vehicles and all cities are looking for police cars, dump trucks, plow trucks, all those pieces of equipment. She indicated she can talk to Public Works Director Freihammer about when they last updated the cost analysis.

Chair Davies indicated this topic could go on a future agenda for discussion after more information is received.

Commissioner Davies moved, seconded by Commissioner Derauf, to recommend the City Council approve the Capital Improvement Plan. **The motion carried unanimously.**

Staff Update

Chair Davies indicated she will present the Commission recommendations at the September 18, 2023 City Council meeting.

Ms. Pietrick updated the Commission on City Council approvals made.

Identify Discussion Items for the Future Meeting

Chair Davies stated the next agenda would include discussions on the work plan, looking at the utility rates in October and a discussion on City vehicles in November.

Adjourn

Commissioner Sagisser made a motion, seconded by Commissioner Derauf to adjourn. The m**otion passed unanimously.**

Meeting adjourned at 7:59 p.m.