Finance Commission Agenda

Tuesday, March 12, 2024
6:30 PM
City Council Chambers

(Any times listed are approximate – please note that items may be earlier or later than listed on the agenda)

1. **Roll Call - Barclay, Bester, Dahir, Davies, Sagisser, Tupy**
2. **Receive Public Comment**
3. **Approval of Meeting Minutes**
   a. Approve Minutes
4. **Business Items**
   a. Receive Finance Commission Tracking Report
   b. Review 2023 Investment Portfolio performance
   c. Selection of Commission Chair, Vice-Chair and Ethics Commission Representative
5. **Other Business**
   a. Staff Update
   b. Future meeting topics and work plan
6. **Adjourn**

Roseville Finance Commission
Agenda Item

DATE: March 12, 2024 **ITEM:** 3.a.

ITEM DESCRIPTION: Approve Minutes

Background
As an advisory commission to the City Council, the Finance Commission's discussions and recommendations play an important role in setting City policies and influencing decisions on programs and services.

To ensure an accurate historical account of the Finance Commission's activities are preserved, the City maintains a practice of keeping meeting minutes. The attached file contains the draft minutes from the January 9, 2024, meeting. The Commission is asked to review the minutes and identify any typos, errors or inaccuracies of the discussion that took place.

Where applicable, Commission members are asked to identify any necessary corrections at the meeting. The Commission should subsequently vote to approve the amended (if necessary) minutes. Once the minutes are approved, they become part of the City's permanent records.

Recommendation
Review the draft minutes.

Requested Commission Action
Amend (as necessary) and approve the Finance Commission meeting minutes for the January 9, 2024 meeting.

Attachments
1. FC Minutes 01.09.2024

Finance Commission
Meeting Minutes
DRAFT – January 9, 2024 - DRAFT

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, Dan Sagisser and Sadiq Dahir.

Commissioners Absent: Joe Tupy.

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

Chair Davies stated she found one confusing sentence on lines 77-78, she thought this sentence was awkward. She thought the last phrase should be removed.

Commissioner Barclay moved, seconded by Commissioner Sagisser to approve the November 14, 2023 meeting minutes as amended. **The motion carried unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester updated the Commission on the Finance Commission Tracking Report.

Discuss and Recommend Electric Versus Diesel Fire Engine

Finance Director Pietrick stated Chief Brosnahan presented information regarding electric versus diesel fire engines at the November 14, 2023, meeting and the Commission indicated they had a few questions with more information regarding this transition and Chief Brosnahan provided the answers. She summarized the questions and answers and asked the Commission to discuss and make a recommendation on this item. Chair Davies noted the City Council will be voting on this at their next meeting.

Chief Brosnahan updated the Commission on the construction of the vehicles and locking in pricing. He noted the vehicle would not need to be paid for until 2026 but the City would need to put fifty thousand dollars down if the City entered into a contract.

Ms. Pietrick reviewed the CIP for the fund with the bonding shown in the spreadsheet.

Chair Davies asked if staff has calculated the interest costs because if the City were to get electric there will be more interest costs associated with that. She asked if staff has put together those calculations to see what the total outlay including interest for diesel versus electric.

Ms. Pietrick explained she did have the municipal advisor run some projections, not diesel versus electric, but one million eight versus one million dollars, which a diesel is roughly one million dollars. Staff also has noted potential grant funding. She reviewed the grant information with the Commission.

Mr. Pietrick indicated Chief Brosnahan has been working with the City's Sustainability Specialist Noelle Bakken on this and she identified some of the grant opportunities that the city might qualify for. Some of the grants have a matching component associated with them so the City would be required to pay fifty percent. Staff does not know which of those opportunities the City will qualify for and there may be other opportunities that may come up between now and 2026. She explained staff ran the two debt scenarios and had the potential debt service costs. The next question would be if the City wants the fund to pay the debt service, should it be put on as a debt levy, which would raise the levy, or a combination of those two. She noted she did not have time to run those scenarios all the way through. What she did see was either way, electric or diesel, there would not be enough money in the fund to pay for it let alone any of the future capital needs without doing some debt issuance or levy increases.

Chair Davies indicated her point is with electric the City will have to borrow more money. She assumed the City did apply for the Diesel Emissions Reduction Act. The deadline was December 2023.

Chief Brosnahan indicated that cannot be applied for until a vehicle is chosen.

Ms. Pietrick indicated MnDOT has a carbon reduction program that has a different cost share split, 20/80, and the application would be in 2024. With this one the City would have to come up with twenty percent. She did not know if that was a first come, first serve, competitive grant, but these are some of the options Ms. Bakken provided to Chief Brosnahan. She thought if the City could get some grants to bring the electric vehicle price down it might be closer to the diesel cost.

Chair Davies explained one of the questions the Commission had is it states in the packet that diesel engines are retained for a total of fifteen years, five years on the front, five years second line and five years as a reserve and she believed that it was stated with electric it is ten years on the front and ten years on the second line. She wondered if there is a reserve time at the end for the electric vehicle after twenty years.

Chief Brosnahan indicated that twenty years would be a useful life and at that time would need to be removed and replaced. He thought it would either be repurposed or sold after twenty years, much like the other engines in the fleet.

The Commission discussed with staff the timeline on retirement of current engines and the purchase of new engines.

Chief Brosnahan indicated he would like to extend one diesel engine for five years longer, so the fleet always has three engines available.

Ms. Pietrick indicated if the City sticks with diesel engines the replacement would be one engine in 2025, one in 2030, one in 2035 and the very first one would be replaced in 2040.

Chair Davies thought this was new technology and is really hard to say what the new technology is going to be doing twenty to twenty-five years from now.

Ms. Pietrick explained the City is pricing both of the models at todays cost and maybe, if more people go to electric, those prices may hold fairly steady or depending on Legislative action, at the State or National level, the ability to purchase a diesel vehicle in the future may not exist.

Ms. Pietrick explained that even if the city decides not to go with the electric engine at this time due to the cost, in the future the city may be forced to purchase electric.

Chair Davies asked if there was anything in the spreadsheet for the charging station, which was around twenty thousand dollars.

Ms. Pietrick indicated there is not because the decision has not been made yet.

Commissioner Bester indicated he worked through some numbers on electric versus diesel and reviewed the information with the Commission.

The Commission discussed bonding, diesel vehicle sales, and how the City will pay for an electric vehicle.

Chair Davies asked regarding fuel savings, what is the correct reduction amount. She noted there was a discrepancy between the handout from Commissioner Bester and the November packet.

Chief Brosnahan indicated the amount would probably be between the two handouts. He indicated that the diesel engines typically use between ten to sixteen thousand dollars a year in fuel, budgeted annually the City spends about thirty to thirty-five thousand dollars. He noted some of the costs would include oil changes and some other maintenance costs as well.

Commissioner Sagisser thought there are a lot of unknowns here. He indicated they don't know what the bond rate is going to be, what the diesel fuel costs will be or what the price of electricity will be, which will influence the cost. He did not think the Commission would know every factor in basing a decision. He would like more information on the grants before the Council meeting.

Ms. Pietrick indicated she would try to get that information.

Commissioner Sagisser moved, seconded by Commissioner Bester, to recommend to the City Council the purchase of an electric engine firetruck after analyzing financials and grants available as it appears to be less expensive or equivalent between the two. **The motion carried unanimously.**

Follow Up Regarding Vehicle Maintenance

Finance Director Pietrick stated there was discussion at the November 14, 2023, meeting regarding the vehicle replacement schedules used by various departments. She reviewed the follow up information with the Commission.

Staff Update

Finance Director Pietrick introduced Assistant Finance Director Josh Kent to the Commission.

Identify Discussion Items for the Future Meeting

Chair Davies indicated she will not be at the next two meetings so this will be her last meeting.

Commissioner Sagisser moved, seconded by Commissioner Dahir, to cancel the February Finance Commission meeting. **The motion carried unanimously.**

Ms. Pietrick indicated at the March meeting the Commission will need to select a Chair and Vice-Chair.

Chair Davies indicated she talked to Commissioner Bester, and he would be willing to be Chair unless Commissioner Sagisser would like to be Chair.

Commissioner Sagisser indicated he would like to remain Vice Chair unless someone else wants to be Vice-Chair.

Adjourn

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

Meeting adjourned at 7:38 p.m.

Roseville Finance Commission
Agenda Item

DATE: March 12, 2024 **ITEM:** 4.a.

ITEM DESCRIPTION: Receive Finance Commission Tracking Report

Background
A summary of the Finance Commission's recent recommendations submitted to the City Council is included in Attachment 1 for review. The report has been updated to reflect items that have been closed or added per Commissioner Bester.

Recommendation
Not applicable.

Requested Commission Action
For review and discussion purposes only. No formal Commission action is necessary.

Attachments
1. Tracking report

Roseville Finance Commission
Recommendation Tracking Report
Report Date - March 12, 2024

No.	Recommendation	Description	Date Recommended	Date Presented	Status	Discussion and Next Steps
2023-01	Finance Commission recommends that steps be taken to begin to act on incorporating limited equities in the City's investment portfolio.	Option to permit limited investment in equity investments	3/14/2023	3/14/2023	Pending	On 4/25/22 the City Council approved expanded Investment Policy language to permit limited use of equity investments.
2024-01	The Finance Commission recommends the purchase of electric fire engine over the diesel engine. Despite the extra cost associated with electric engines, Finance understands that there environmental advantages that are in line with the City priorities. Also grant opportunities that may offset some of the cost and possible opportunities to negotiate a lower purchase price.	The Fire Department is proposing to transition to Electric Fire Engines.	1/9/2024	11/14/2023	Pending	On 11/14/23 Fire Chief Brosnahan and Finance Director Pietrick presented information about electric vs diesel fire engines. Further discussion and financial analysis presented by Finance Commissioners on 1/9/24. Information and recommendation will be presented to City Council on 1/22/24.

Roseville Finance Commission
Recommendation Tracking Report - Definitions

Status	Definition
Pending	Recommendation has not yet been presented to the City Council
Received	Recommendation has been received by the City Council but has not received a formal reply or action
Accepted	Recommendation has been accepted by the City Council but action has not yet been taken
Rejected	Recommendation has been rejected by the City Council and will not move further
Implemented	Recommendation has been accepted by the City Council and action has been implemented
Rescinded	Recommendation has been rescinded by the Finance Commission
Received - Closed	Recommendation has been received by the City Council but has not received a formal reply or action and will be considered closed from future updates tracking.
Received - Further Development	Recommendation has been received by the City Council and returned to the Commission for modifications or further development.

Roseville Finance Commission
Agenda Item

DATE: March 12, 2024 **ITEM:** 4.b.

ITEM DESCRIPTION: Review 2023 Investment Portfolio performance

Background

The City's Investment Policy is rooted in industry best practices and has been modified to accommodate the limited resources available to manage the City's investment portfolio. This limitation necessitates the use of relatively simple investment strategies that require only a nominal amount of time.

These limitations, accompanied by statutory restrictions on the types of investments we can participate in, will constrain the portfolio's investment performance. As a result, the policy calls for the portfolio's investment performance to equate to, at a minimum, the U.S. Government Bond (Treasuries) Yield for the comparable investment period. In other words, if our general investment horizon is five years, then our portfolio yield should be equal to or greater than the five-year Treasury rate over the long term.

The following table depicts the City's investment portfolio performance over the past ten years using a weighted average portfolio rate of return:

City of Roseville Investment Portfolio Performance

Year	Portfolio Earnings	Average Portfolio Term (yrs.)	10-Year Treasury	Var. + / - 10-Year Treasury	5-Year Treasury	Var. + / - 5-Year Treasury
2014	3.43%	11.0	2.17%	1.26%	1.61%	1.81%
2015	2.88%	9.8	2.27%	0.61%	1.76%	1.12%
2016	2.61%	9.8	2.45%	0.17%	1.93%	0.68%
2017	2.69%	10.5	2.41%	0.28%	2.21%	0.48%
2018	2.93%	11.8	2.68%	0.25%	2.51%	0.42%
2019	2.74%	10.8	1.92%	0.82%	1.69%	1.05%
2020	1.32%	6.3	0.94%	0.38%	0.59%	0.73%
2021	1.40%	6.1	1.52%	-0.12%	1.26%	0.14%
2022	1.47%	5.7	3.88%	-2.41%	3.99%	-2.52%
2023	1.96%	5.0	3.88%	-1.92%	3.84%	-1.88%

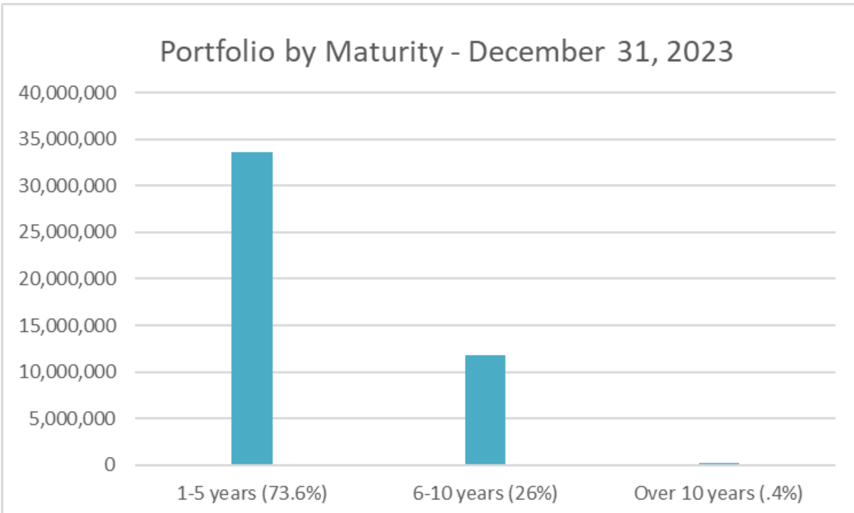
Note: As measured on December 31st

Currently, the City's investment portfolio (excluding monies set aside for short-term cash flow needs) has an average term of 5 years, earning 1.967%. This is 1.88% lower than the 5-year portfolio target and 1.92% lower than the 10-year portfolio target. As a reminder, this represents a snapshot-in-time as measured on 12/31/23.

The City's investment portfolio performance relative to the benchmark can vary from year to year in conjunction with changing economic factors including interest rate changes. It will also fluctuate as the makeup of the portfolio itself changes. The average portfolio term has shortened since 2020 as a function of market impacts during 2020.

The yield to maturity on individual investments is anywhere from .70% to 5.60%. The investments that were purchased from May 2020 through March 2022 that are still in the portfolio are the lower yielding investments because they were the best options available at that time. Investments purchased from November 2022 through December 2023 that are still in the portfolio are the higher yielding investments as a result of the market during that period of time. This demonstrates how the market can and will fluctuate over time.

As of December 31, 2023, the $45,614,000 portfolio is invested 73.6% shorter term, 25.99% midterm and .37% long term as shown in the chart below:



As a comparison, on December 31, 2022, the total invested portfolio was $42,340,000, with 50% short term, 43% midterm and 7% long term. The portfolio changes over time and for the past year the higher yields have been on short-term investments.

Recommendation
Not applicable.

Requested Commission Action
For information purposes only. No formal Commission action is required.

Attachments
None

Roseville Finance Commission
Agenda Item

DATE: March 12, 2024 **ITEM:** 4.c.

ITEM DESCRIPTION: Selection of Commission Chair, Vice-Chair and Ethics Commission Representative

Background

City Code Chapter 201.06 requires the Finance Commission to annually select a Chair, Vice-Chair to perform ongoing duties; and a representative to serve on the City's Ethics Commission as needed. The Chair and Vice-Chair positions carry the same decision-making privileges as all other members, but they do have some additional administrative duties.

The Chair is expected to run the Commission meetings. This includes recognizing members before they speak, ensuring the discussions stay on task and are conducted in a timely fashion, and allowing the public an appropriate amount of time to participate. The Vice-Chair assumes all duties of the Chair in their absence. The current appointments are as follows:

- Chair: Wanda Davies, term expires March 31, 2024
- Vice-Chair: Dan Sagisser
- Representative to the Ethics Commission: Bruce Bester

It should be noted that there are no limits when it comes to the length of service members can serve in these capacities. Advisory Commission Chairs, Vice-Chairs, and Ethics Commission Representatives often remain in their roles for more than one year to preserve continuity from one year to the next. However, the Commission may also find value in working within varying leadership styles and approaches over time.

Recommendation

By separate motions, Staff recommends the Commission select a Chair, Vice-Chair, and representative to the Ethics Commission for the period from April 1, 2024 through March 31, 2025.

Requested Commission Action

Motion to approve a Chair, Vice-Chair, and representative to the Ethics Commission for the period April 1, 2024 through March 31, 2025.

Attachments

None

Roseville Finance Commission

2024 Meeting Topics & Calendar

Month	Discussion Topic (Tentative)
January 9	▪ Continue discussion and recommend Electric vs Diesel Fire Engine ▪ Follow up regarding vehicle maintenance
February 13	▪ CANCELLED
March 12	▪ Select Chair, Vice-Chair, and Ethics Commission Representative ▪ Review 2023 Investment Portfolio performance ▪
April 9	▪ Review 2023 preliminary year-end cash reserve levels ▪
May 14	▪ Discuss items for Joint City Council-Finance Commission meeting ▪ Review 2023 Audit Reports – might be moved to June ▪
June 13 Thursday	▪
July 9	▪ 2025-2044 Capital Improvement Plan review #1
August 22 * Thursday	▪ Discuss the 2025 City Manager Recommended Budget & Tax Levy ▪ 2025-2044 Capital Improvement Plan review #2 ▪
September 10	▪ Establish Recommendation on 2025 City Manager Recommended Budget & Tax Levy ▪ Establish Recommendation on 2025-2044 Capital Improvement Plan ▪
September 16	▪ Present Budget Recommendation to City Council
October 8	▪ Update on the Council-adopted 2025 preliminary Budget & Tax Levy ▪ Review and adopt a recommendation on the 2025 proposed utility rates
November 12	▪ Adopt 2025 Meeting Calendar ▪ Adopt 2025 Work Plan