Finance Commission
Meeting Minutes
March 12, 2024

Roll Call/Announcements

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

Commissioners Present: Bruce Bester, Joe Tupy, Dan Sagisser and Sadiq Dahir

Commissioners Absent: Wanda Davies, and Siafa Barclay

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 Acting Chair moved to the next agenda item.

Approval of Meeting Minutes

Vice Chair Sagisser stated Commissioner Bester had sent out revisions and asked if there were additional changes.

Commissioner Bester stated lines 141-142 suggested deleting the words ~~after analyzing financials and grants available as it appears to be less expensive or equivalent between the two~~ and add <u>despite the extra cost associated with electric engines, Finance understands that there are environmental advantages that are in line with City priorities, also, grant opportunities that may offset some of the costs and possible opportunities to negotiate a lower purchase price</u>. He explained that is in line with the actual financial analysis that was presented, which is number eight four.

Commissioner Bester stated line 120-121, add <u>the fiscal analysis shows that when the costs of electric and diesel are amortized over their twenty and fifteen year lives, the cost of electric is $15,333 greater per year.</u> He indicated that is in line with the fiscal analysis.

Commissioner Bester stated line 127, add <u>the discrepancy/misunderstanding had to do with the annual cost of fuel for diesel engines which has been confirmed to be approximately five thousand dollars per vehicle per year.</u>

Commissioner Bester moved, seconded by Commissioner Tupy to approve the January 9, 2024 meeting minutes as amended. **The motion carried unanimously.**

Selection of Commission Chair, Vice-Chair and Ethics Commission Representative

Finance Director Michelle Pietrick asked the Commission to appoint the Commission Chair, Vice-Chair and representative to the Ethics Commission.

Commissioner Bester indicated he would be willing to be Chair of the Commission.

Commissioner Tupy indicated he would be interested in the Vice Chair position and volunteered for the Ethics Commission to gain more knowledge.

Commissioner Sagisser made a motion, seconded by Commissioner Dahir, to appoint Commissioner Bester as Chair, Commissioner Tupy as Vice-Chair of the Finance Commission and Commissioner Tupy as representative of the Ethics Commission. **The motion passed unanimously.**

Receive Finance Commission Recommendations Tracking Report

Commissioner Bester updated the Commission on the Finance Commission tracking report.

Receive 2023 Investment Portfolio Performance

Finance Director Pietrick reviewed the 2023 Investment Portfolio Performance with the Commission.

Commissioner Bester asked what some of the latest investments are that staff has seen.

Ms. Pietrick reviewed the interest rate information and indicated the more recent investments have all been over five percent.

Mr. Roger Ness, Jr.

Mr. Ness indicated he was wondering about the water meter deposit fee. He wondered if that was in long term or short-term funds.

Ms. Pietrick indicated the deposits were across all terms, not in one specific investment.

Mr. Ness asked if it would affect the investments if the money was given back to the water/meter users because it is a deposit and the City said it was not needed anymore. The City is going to change to a one-time fee from now on and the City has all this deposit money laying around, he thought it was $1.4 million dollars and if the City does not need it anymore then it should be returned to the residents. He asked what would happen if the City gave all the money back to the residents that paid the deposits in one quarter of a year.

Ms. Pietrick explained the revenues would be down in one quarter and the cash in the water fund would go to zero.

Mr. Ness wondered why the City cannot give the residents their deposits back immediately.

Ms. Pietrick indicated the water fund program has had a cash problem for well over four years. The City is looking at alternatives because Public Works has decided the City is not taking a deposit any longer and new developments will pay a fee.

Mr. Ness explained the fee would be better for the City because it can collect the fee and never have to return it.

Mr. Ness thought the City had a fiduciary duty to hang onto the money for the residents since it is a deposit, and he could sell his house and ask for it at any time.

Ms. Pietrick indicated that was correct and the cash flow on sales of property versus outright refunding the full amount is where the issue is. She indicated the City is working on the cash flow issue to come up with a reasonable plan to refund the deposits.

Mr. Ness stated the City is using his deposit money for something else at the moment rather than just hanging onto it in a fund somewhere that the City has invested. He explained he was trying to find out how it works. He is not saying anything is right or wrong. He thought it would be in a secure fund somewhere, separate from all of the other money.

Mr. Ness asked about the campus master plan and the local sales tax.

Ms. Pietrick reviewed the local sales tax, the process along with bonding and other financial forecasting with the Commission.

Commissioner Bester explained he has been working on the Investment Policy recommendation on equities over the last several months, as demonstrated by his spreadsheets. He indicated looking back the City could have had ten million dollars in cash that could be invested potentially with the fifteen percent maximum limitation in equities. He noted he used $1.5 million and on the first table he did an analysis of it, if the City used the S&P 500 growth rate over the same ten-year period as Ms. Pietrick has included in the report. He noted the investment difference is significant, over a ten-year period there would be another $1.9 million dollars that would have benefited the City.

Ms. Pietrick explained that the City has only had this option for investing in equities since 2017 when it was added to the Investment Statute which is pretty clear that once the fifteen percent of is hit there would have to be a sweeping mechanism. She indicated this would not be done through a broker because the Statute recommends a city go through the State Investment Board. She indicated she is trying to get some of the particulars on how the City would set up an account and what would happen if the account achieved the fifteen percent maximum.

Commissioner Dahir left the meeting at 7:06 p.m.

Commissioner Bester asked if the Commission would like him to take the recommendation further and play out some of the mechanics of it such as the sweeping.

Ms. Pietrick indicated she has emailed the State Investment Board asking for information on this.

Commissioner Bester's spreadsheets assume a max of $1.5 million invested looking backwards over time. One option to consider is starting at one hundred thousand dollars going forward, what that might look like. Commissioner Bester indicated he could use those numbers.

Commissioner Tupy indicated he would be curious to find out what the return rates because he reviewed the State Board and did a lot of research on them, because at first, he was really apprehensive about this type of venture but when he did the research on the Board and who runs the Board, it seems really solid, and Minnesota based and quality, but he wondered if the return of funds was considering the fees and commissions and structures.

Commissioner Bester indicated when he looked at this, the State Investment Board actually beat the S&P 500 numbers, which kind of blew him away and he wondered how they managed that.

Ms. Pietrick indicated that maybe some of their pension investments factored into these numbers. Commissioner Bester indicated he was looking at the State Investment Board's index, the S&P 500 index.

Commissioner Tupy indicated he would be interested in working with Commissioner Bester on this because he thought it would be very interesting. Commissioner Bester indicated he would like help and could meet to go over this with Commissioner Tupy.

Ms. Pietrick continued reviewing the investment portfolio with the Commission.

Staff Update

Ms. Pietrick updated the Commission on Council approved items including two new Commissioners.

Identify Discussion Items for the Future Meeting

Vice Chair Sagisser stated the next agenda would include discussions on the 2023 Preliminary Year-End Cash Reserve levels.

Adjourn

Commissioner Bester made a motion, seconded by Commissioner Tupy to adjourn. **The motion passed unanimously.**

Meeting adjourned at 7:28 p.m.